



MINIMUM WAGE

Giving low-income
earners a boost



Singapore Democratic Party

An Update to SDP policy on the economy¹⁷

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MINIMUM WAGE: SDP POLICY UPDATE

The Singapore Democratic Party (SDP) recommends that a minimum wage be implemented to reduce poverty and income inequality, increase standard of living for low income workers in Singapore. Income inequality and social mobility are key issues in Singapore. The problem has been made worse by the COVID-19 pandemic which has exposed the vulnerability of the poorer segments of society. In 2019, the bottom 10th decile brought home an average of \$597 a month¹.

Minimum wage is defined as “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract”.

Minimum wage should also be coupled with pro-employment policies, social transfers which allow for low income workers to obtain a living standard.

1. WHY MINIMUM WAGE?

By setting a wage floor, this protects workers from ‘unduly low pay’.² Minimum wage also has several economic and social benefits. It:

- Increases the spending power of workers which stimulates consumption ultimately benefiting business;
- Prevents the exploitation of workers and reduces poverty which can breed mistrust and resentment towards management;
- Narrows income inequality;
- Raises the security and, therefore, productivity of workers as they can focus on their jobs without being distracted with having to find supplementary income;
- Decreases the cost of welfare programmes by increasing incomes for the lowest paid workers;
- Is easily enforced because the state agencies only need to act on reported cases of wage violations instead of setting up large bodies to monitor a programme;
- Allows prosperity to be shared by all.

2. WHAT IS SDP'S STANCE ON MINIMUM WAGE?

Since the late 1990s, SDP has been calling for a minimum wage to be implemented. In 2001, in our election manifesto, we called for a minimum wage of \$5 an hour.^{3,4} In 2010, we revised our proposal to \$6.80 per hour.⁵ In 2015, we again updated the amount, this time to \$7 an hour which works out to be \$1, 232 per month for a full-time job of 44 hours per week.⁶

SDP proposal is a minimum wage of \$10 an hour, which would work out to be \$1,760 a month, based on a 44-hours work week. This would commensurate with the amount required for a person aged 55-64 to achieve a basic standard of living in Singapore at S\$1,721 - according to a research done by Assistant Professor Ng Kok Hoe from the National University of Singapore's Lee Kuan Yew School of Public Policy.⁷ The latest Household Expenditure Survey states that "on average, the bottom 20 percent of households are each spending S\$2,570 a month while having a monthly income of S\$2,235, which include regular government transfers.⁸ This means a shortfall of S\$335 on average each month."

Assuming the CPF contribution made at 20%, this means a single person would need a gross pay of \$1606.25 per month or about \$8 in hourly wages (based on a 44-hour work week) in order to meet their monthly expenses.

Minimum wage, should be applied universally to both locals and foreigners alike. In doing so, this encourages employers to hire Singaporeans rather than migrant workers and prevents local lower-paid workers from being undercut by foreign workers. The ultimate goal is to create conditions where Singaporean including the ones in lower-income jobs are paid wages that allow them to lead dignified, productive, and creative lives.⁹

3. IMPACT ON BUSINESSES

Opponents of minimum wage argue that as increased wage costs discourage hurt bottom-lines and discourage employers to hire new workers, retrench existing ones or reduce the number of working hours for employees. They also maintain that such a policy will drive the price of goods up (cost push inflation).

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Such views have not been borne out by research. Indeed, the practice has been shown to exhibit minimal negative effects on employment.¹⁰ Minimum wage stimulates domestic consumption as the spending power of an entire band of income earners increases. Most lower-income workers will spend their wages purchasing goods and services domestically rather than overseas.

Unique to the Singapore context is that commercial rent is untenably high and that the government is the landlord for much of these properties. Rent, in particular from government-owned properties need to be reduced. It needs to go beyond the temporary relief given during this COVID-19 period. Savings in long-term reductions in rent will compensate increased wage costs.

In the final analysis, businesses will not suffer. In fact, they stand to gain from higher spending power of workers and the improvement in labour productivity as employees enjoy income security. This is a win-win situation for businesses and workers.

4. HOW IS MINIMUM WAGE DIFFERENT FROM PROGRESSIVE WAGE MODEL (PMW)?

The universal minimum wage is a cross-sectoral, national policy as opposed to the Progressive Wage Model currently adopted by the present government which only covers the landscape, cleaning and security sectors. In adopting a minimum wage model, employees in other sectors such as the F&B, retail and service can also benefit from the scheme.

The PMW is a five-level career progression model where workers experience wage growth by completing courses and clocking years of experience.¹¹ Unlike the PWM, the minimum wage will be applied to all low-income workers regardless of the industries they work in. This has many advantages:

Firstly, it ensures that the entrants to any industry are paid a living wage and are not deceived by of an upskilling ladder which is often illusory. (For example, a senior security officer can only earn up to \$1620. This is despite having undergone 26 months on the job and completing 9 training modules!¹²). The PWM allows employers to exploit loopholes such as requiring employees to work extended hours without additional pay. The problem is exacerbated where the contract-bidding

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system often creates a race to the bottom, depressing the wages of workers. PMV also abandons those who are unable upskill to earn below a living wage.

5. WHAT ABOUT THE WORKFARE INCOME SUPPLEMENT (WIS) AND WAGE CREDIT SCHEMES (WCS)?

The (WIS) and (WCS) are not minimum wage laws. They were implemented to get older lower-income workers back into the workforce. With its range of criteria to qualify for these schemes, they do not address the key point that wage wages, especially those in the lower-income groups, are suppressed and workers are not paid their due.¹³

6. HOW DOES WEC DIFFER FROM THE NWC?¹⁴

We also propose a Wage Equity Commission to recommend the minimum wage to the government. The level of minimum wage would be based on a basket of factors including the cost of living index and inflation rate. The Commission will assess the impact of the policy, taking into consideration economic conditions, living expenses, labour market and its conditions and adjust the level annually.

Unlike the National Wages Council (NWC), SDP's Wage Equity Commission will take into consideration what is necessary for a worker to maintain a basic standard of living i.e. economic conditions, living expenses, labour market and its conditions when making recommendations. For example, the NWC, a tripartite body comprising government, employer and union interests, makes recommendations on wage adjustments by taking into consideration factors to ensure the "global competitiveness of Singapore's economy" i.e. productivity growth, employment situation, international competitiveness and economic growth and prospects.¹⁵ This is entirely improper given Singapore's political system where the welfare of workers is subjugated to the government and business interests which are often intertwined.

7. SINGAPORE BEING THE LAST IN THE REGION AND THE WORLD TO HAVE A MINIMUM WAGE

Singapore is one of the few countries in the region that has no minimum wage. More than 90% of International Labor Organization (ILO) member states have one or more minimum wages set through legislation or binding collective agreements.¹⁶ Most developed countries that do not have minimum wage laws have wage levels that are set at the industry level through collective-bargaining contracts. In addition, the majority of their working populations belong in strong unions that represent their interests.

According to the ILO, Singapore has only 21.2% share of employees who are union members in 2015, and 18.1% share of employees covered by one or more collective agreements in 2012. Singapore has neither condition in place to protect the majority of our working population.

8. CONCLUSION

Set at a reasonable level and governed by an effective and fair mechanism, a minimum wage law in Singapore will enhance the economy, protect the rights of all workers and reduce income inequality.

For a more detailed discussion on minimum wage in Singapore, read our economic paper, *A New Economic Vision: Towards Innovation, Equal Opportunity, and Compassion*.¹⁷

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