



IPS 30th Anniversary: Diversities — New and Old Panel I: Unequal and Immobile Structures

By Drew Shih

The IPS 30th Anniversary Conference, on the theme of “Diversities”, was held on 25 and 26 October 2018. Its opening panel was titled “Unequal and Immobile Structures” and looked at factors that serve to create class disparities in Singapore society. The panel was chaired by Mr Manu Bhaskaran, Adjunct Senior Research Fellow at IPS, and Partner and Member of the Board at Centennial Group Inc. The speakers were Mrs Josephine Teo, Minister of Manpower and Second Minister for Home Affairs, as well as Associate Professor Walter Theseira, Head of the Master of Management (Urban Transportation) Programme at the Singapore University of Social Sciences, and a Nominated Member of Parliament.

Social mobility in education and employment

Minister Josephine Teo began by stating that in comparison to other developed countries, Singapore has a relatively high level of social mobility. This is attributed to the nation’s belief in meritocracy. Policies that establish universal access to good quality education ensure that students who would have otherwise dropped out are able to continue their education. There has been upward educational mobility especially for those with parents of lower education. In short, the educational gap has narrowed.

However, parents with more resources will naturally invest in their children to help them get ahead. Decades of growing affluence in Singapore have meant that this group has expanded. The worry now is that children from families without such resources will face significant obstacles to upward mobility. To overcome this, Minister Teo said the government has tilted resources and support in favour of students who have greater needs.

Regarding employment, she highlighted the need for interventions to reduce the risk of disadvantages being entrenched. Although implementing a minimum wage is often touted as one such intervention, she thinks this may affect employers’ willingness to hire, and result in employees having to take on jobs illegally, where work is available at a lower wage. She argued that the Workfare Income Supplement (WIS) Scheme is more effective because the additional cost is borne by the state.

She also emphasised the benefits of growing wages based on the Progressive Wage Model (PWM), which has been imposed in sectors where wages have stagnated. Through the PWM, workers are able to earn a higher wage — on the basis of improved skills, enlarged job scopes and heightened productivity.

Lastly, she defended the government's view of economic growth as a way of reducing inequality. Minister Teo explained that slow growth will cause everyone to be worse off and will have the harshest impact on those on the bottom. This is reflected by the Gini coefficient (a measure of income inequality), which tends to be highest during economic downturns but is moderated during periods of growth.

Development of human potential and the decision-making of the poor

Associate Professor Walter Theseira began his presentation by stating that inequality has been a longstanding phenomenon in Singapore. It has persisted because those at the top have experienced greater economic growth. Policy decisions that allow the wealthy to retain a greater proportion of their wealth have contributed to this, he said.

Next, he described social mobility involving the development of human potential. He explained that parents have a "double influence" on the development of their children because they both pass on their genes and affect the environment in which their children grow up. An individual's genes can be expressed as different skills and abilities based on the environmental influences one is exposed to. As a result of the growing proportion of marriages between university graduates, social mobility may be further reduced, he said.

As to how structural inequality and persistent poverty could be tackled, he pointed out that the poor have little capacity to bounce back from the everyday mistakes that the average person makes. In the face of multiple conditions of scarcity, the underprivileged suffer from a mental "bandwidth tax" that affects the quality of their decision-making process. Thus, he argued for interventions that serve to alleviate some of the burdens the poor face in order to improve their decision-making capabilities.

To conclude, Associate Professor Theseira raised two points. First, he noted that it is not just post-tax inequality that must be looked into; pre-tax inequality must also be examined as it functions as a mechanism where power becomes concentrated in the rich and wealth is seen as a marker of social value. While concerns about stunting personal incentives are legitimate, it should also be recognised that inequality has a social cost and cannot always be corrected through transfers. Thus, he called for those with the means to invest in resources, to build a society everyone can be proud of. Second, he asked that welfare be considered on practical grounds; and be subsequently judged based on whether it helps or hinders disadvantaged families escape their persistent poverty.

Discussion

Technological disruptions in the workplace

Chairperson Manu Bhaskaran kicked off the discussion by querying the panellists' viewpoints on the impact of technological disruptions on employment, and the role of government interventions. Minister Teo said technology has an enabling potential for senior workers in lower-paid professions; technology can make their jobs less physically demanding while improving productivity leading to wage increments. Furthermore, even as technology displaces some jobs, there would be a concomitant increase in demand for "high-touch" jobs. The challenge is to help affected workers in their transition to such jobs. In this, employers and co-workers have a role to play alongside the government.

Associate Professor Theseira admitted that technological advancement could enable us to engage in other productive activities. However, he likewise warned that the challenge was in the transition to the new jobs created by these disruptions. Such adaptation might be difficult to some because of the implicit value judgements they place on these jobs. This may make them resistant to these changes.

Minimum wage

Citing the examples of Japan, South Korea and Taiwan, Professor Tommy Koh voiced his disagreement with Minister's Teo assessment that implementing a minimum wage could result in unemployment and illegal employment. He stated that the implementation of a minimum wage in Hong Kong lifted "hundreds of thousands of residents" out of poverty. Another audience member asked if the government's resistance to minimum wage policies was an ideological one.

Minister Teo responded to Professor Koh with an anecdote, also from Hong Kong. She narrated the story of an elderly security guard who had been replaced with a younger colleague after the implementation of the minimum wage. The employer's rationale was that it would have been to their advantage to hire a younger person for the same minimum wage. The approach was disadvantageous to the elder worker. Minister Teo clarified that the government does not take an ideological approach to minimum wage. The concern, she emphasised, was the lack of public acceptance for such proposals. As an example, she cited a previous call for the introduction of unemployment insurance, which the public did not agree with.

Associate Professor Theseira agreed that evidence on the economic outcomes of minimum wage policies was currently mixed. However, he added that it was still possible for a calibrated minimum wage mechanism to take effect, in lieu of the presence of strong unions and labour welfare institutions helping to correct power asymmetries between employers and employees.

Income distribution

Professor Koh said Singapore society now has a large proportion of poor residents rather than one with few rich people and a large middle class. He asked how this happened and how it can be addressed.

Minister Teo responded that Singapore's success has allowed large swathes of Singaporeans to move upwards. However, because it is natural for parents to want to pass on that advantage to their offspring, it has now become more difficult for the disadvantaged to achieve upward mobility as compared to the past.

Associate Professor Theseira explained that it is theoretically possible to achieve any desired income distribution through taxation, but it may affect people's incentive to work. He noted, however, that there was a tendency to overestimate the effect of marginal taxes on the top income bracket. Thus, he concluded that raising taxes would be a viable policy option if it could improve our social compact without significantly sacrificing economic competitiveness.

Recognising diverse skill sets

Professor Paulin Straughan argued that there was too much emphasis being placed on educational attainment for employment. She asked if there could be other forms of achievement that employers should consider.

Minister Teo explained that employers typically seek new hires who they think will have all the requisite skills for the job. This is at the expense of investing in human capital development. She suggested that employers should broaden their scope when looking for assurances of competency from potential hires. For example, rather than view mothers who have temporarily left the workforce as not having the relevant skills, she called for employers to view them as employees who will be able to multi-task and deal with pressures and emergencies.

Associate Professor Theseira concurred that employers should look beyond educational qualifications. He said the emphasis on educational achievement was a legacy problem. In the past, when university graduates were rare, a university degree would have been a likely assurance of competency. That should not be the case today.

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