

Singapore Perspectives 2023: Work Closing Dialogue with Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong

By Isabelle Tan and Ali Akbar Asykari Bin Esa

The Institute of Policy Studies' annual flagship conference, Singapore Perspectives, seeks each year to engage thinking Singaporeans in a lively debate on the country's policy challenges. The theme for this year was "Work", with discussions focusing on how disruptions and trends in technology, socio-economic developments and Singapore's demographics would shape the future of work.

In this closing dialogue, Deputy Prime Minister and Minister for Finance Mr Lawrence Wong shared his insights on how Singapore can tackle the challenges facing the labour market and strengthen its social compact moving forward. The Q&A session was moderated by Ms Debra Soon, Group Head of Marketing and Communications at Singlife with Aviva.



Caption for photo: Mr Lawrence Wong delivering his keynote speech at the IPS Singapore Perspectives 2023 Conference

Opening Remarks

In his speech, Mr Wong noted the timeliness of this year's conference theme of "Work" and acknowledged the various challenges confronting the labour market — the nature of work, retirement security and work remuneration. He noted that these challenges are not new, as similar concerns have been raised during the Forward Singapore Conversations and at NTUC's Every Worker Matters Conversations.

DPM Wong highlighted that these challenges can adversely impact Singapore's social compact if left unaddressed. He raised several broad strategies that the government has been studying to address these challenges and to strengthen the country's social compact.

Need for a Stronger Training Eco-System

Mr Wong pointed out that the nature of jobs has changed given scientific and technological progress, and not everyone will be able to benefit equally from these changes. In particular, older, mid-career workers will be at a higher risk of career disruption, as their skills may be perceived to be less relevant. Many of these mid-career workers may also find it difficult to commit to upskilling programmes due to caregiving responsibilities and a lack of workplace support.

The adult skills training eco-system must therefore be strengthened to provide more support for workers so that they are able to upgrade their skills and land better jobs or transit to new industries.

This move towards a more comprehensive training eco-system has to be carefully managed. To maintain the incentive to work, the government is focusing on re-employment support rather than unemployment support. Through re-employment support, workers will be given some form of financial aid to allow them to undergo skills upgrading and will also receive job-matching assistance.

At the same time, employers should also do their part by investing in their workers' training and encouraging more training that leads to recognised credentials. More innovative training programmes, such as those that offer work-based learning options, will also have to be curated and vetted to ensure that they lead to better employment and earnings outcomes.

Additionally, there is a need to improve labour market information, strengthen labour market intermediaries and provide workers with data on their skills and competencies, so that they can be more empowered in career planning and be better matched to suitable jobs.

Bolstering Support for Basic Retirement Needs

Mr Wong shared that the government has introduced measures in recent years to help Singaporeans better earn and save for retirement. These include higher interest rates for those with lower CPF balances, uplifting the incomes of lower-wage workers through Workfare and the Progressive Wage Model (PWM), as well as introducing Silver Support to supplement the retirement income of seniors who received low wages during their working years.

However, the increasing volatility of the economy will make it more difficult for Singaporeans to build their retirement savings consistently. Circumstances are also different for different cohorts. Unlike younger workers who have a longer runway before retirement, the Pioneer and Merdeka Generations, as well as those in their 50s and early 60s, have not benefitted fully from recent enhancements to the CPF system.

To address these issues, the government will continue to review ways to better support these vulnerable groups, which also include the low-income earners, gig workers, persons with disabilities and caregivers. The ultimate aim is to strengthen Singapore's system of collective risk-sharing and assure all Singaporeans that they will be able to meet their basic retirement needs.

Fairer Rewards and More Progression Opportunities for All

Mr Wong stated that income inequality in Singapore has been on a steady decline over the last decade. Lower-income groups now enjoy higher real wage growth than those in the middle- and upper-income brackets.

Nonetheless, Singapore can do better to make rewards more equitable, especially for ITE and polytechnic graduates whose median starting salaries are around one-half to two-thirds that of university graduates. While some difference is understandable, too wide a wage gap can foster credentialism and discourage individuals from entering vocations that they have been trained for.

The government is working with business partners to provide more industry exposure and work-study opportunities for ITE and polytechnic students in their industry of choice. Efforts to improve starting salaries and career prospects for these students are also underway, with the expansion of the PWM (Progressive Wage Model) to cover more areas with lower-wage jobs. Technicians and associate professionals can similarly look forward to better starting salaries and a progression to specialist and leadership roles.

Mr Wong encouraged employers to do more to hire, train and recognise all workers, instead of pigeonholing them based on their starting qualifications. Consumers must also be willing to pay more for goods and services in order to uplift the wages of those who provide them. More broadly, Singaporeans should strive to respect one another for the work that they do and refrain from unhealthy social comparisons.

A Whole-of-Society Effort

Work is not just a source of income, but also a source of dignity and purpose in life. Work is also crucial to Singapore's social compact and system of meritocracy, where every citizen should have the opportunity to progress and excel, regardless of their starting point in life.

Ongoing changes in the external environment and in the nature of work have made it more challenging to ensure a healthy labour market, which remains key to inclusive growth and shared prosperity.

Ensuring that growth and prosperity is shared by everyone in Singapore requires a whole-of-society effort. Fortunately, Singapore also has a strong foundation of tripartite partnership. The government will continue to work closely with unions, employers and other stakeholders to make sure that the labour market continues to offer benefits, opportunities and security for all.

Question-and-Answer Session

Q: You mentioned not focusing so much on brands and comparisons and trying to change society's view of how we view progress, success and work performance. It is very easy for us to say that we should change this, but how will you go about it?

A: Mr Wong said that the starting point is to be honest with ourselves and recognise that comparisons are made everywhere. Singapore is a small city where there are not many degrees of separation from one another. He joked that growing up, we get asked questions like “What school are you going to?”, “How are you doing in school?” and “What do you want to be in the future?”. He added that it is not easy to change mindsets. Some comparisons are inevitable but Mr Wong also said that should we get overwhelmed by such comparisons, it will not make for a very healthy mindset or society. Each one of us has to make the effort not to get overwhelmed by these comparisons, he said. Instead, he suggested focusing on trying to do better over a period of time. While this is easier said than done, he was certain it could be achieved.

Q: Realistically in the workforce, all of us who have performance appraisals know that our bonuses or progression is dependent on how we do, compared with somebody else. Are you asking Singaporeans to be a bit easier on the edges even as we are trying to perform and drive forward. That is very difficult to do, given that we do not have that many resources. How do you think we could progress in this area?

A: Mr Wong clarified that this does not mean that we should work less hard, or sit back and smell the roses. Fundamentally, as a small open economy, Singapore will have intense competition. He said we will have to work hard to make a living and to stay relevant, but we do not have to make things worse by having these invidious comparisons with one another. He used the example of appraisal systems in workplaces. Within the workplace, there will always be an appraisal system where one will be ranked in some ways and one will get a performance grade, which impacts one's performance bonus. He emphasised that we should look at our own performance and ask ourselves if we have delivered the goals that were set up for us at the start of the year and if we can do better. Mr Wong said our attitude and mindset should be orientated towards doing better for ourselves — not because we have to benchmark ourselves against our colleagues. Then, we will enjoy more fulfilling lives.

Q: Could the emphasis on taking jobs higher up in the value chain, which is more focused on technology, subconsciously dismiss workers who enjoy their current state but whose jobs may be less recognised, such as those in the hawker and arts scenes? How could we mitigate these impacts on other intangible aims like heritage, tradition and inclusion?

A: To Mr Wong, upskilling and the importance of wanting to do better in every field is not always centred on technology. Technology is only an enabler, and that enabler of technology will certainly cut across all areas, he noted. Even a hawker, an artist or a musician can learn to do better with technology. For example, musicians often make use of digital technology today. In the past, a complex setup with amplifiers was necessary, but all that can be replicated with digital technology today. As such, he said that technology does not have to remove the soul and essence of arts and culture at all. It can supplement, amplify and enable everyone including artists, musicians and hawkers to do better.

He added that upgrading and upskilling are not confined to technology; we can continue to improve our skills in other areas as well. These include our human skills to learn and be better negotiators, leaders and team players. He noted that there is a whole range of skills out there beyond technology that we should be mindful of and want to embrace.

Q: The narrative seems to be that we need to keep working, and that we have to be retrained if we are unable to do a particular job. Is there a possibility that Silver Support, which is a tremendous package for low-income seniors, could be made a little bit more universal so that there is not a substantial drop in income or quality of life once you reach a stage where age just catches up with you?

A: Mr Wong noted the reality that there will be a limit to how long we can work. However, surveys have shown that with rising longevity, the majority of people do want to work longer as long as they are healthy, because they recognise that their health deteriorates the minute they stop working. This was why he had said work is more than just a source of income. Work provides dignity and purpose. However, he suggested that the nature of work may change for older people. There are retirement age reviews and a system in place for re-employment. With Workfare, the Progressive Wage Model and what the government has been doing in the labour market, Mr Wong believes that anyone who enters the workforce today and works consistently can be assured of a basic retirement sum. This is what the government wanted for the CPF system.

As for older folks who are retired or close to retirement, they may not be able to benefit from Workfare as much because they have a limited runway. This is where schemes like CPF top-ups and Silver Support can help them. The government will examine what more can be done to take care of the Pioneer and Merdeka Generations, as well as those in their 50s and 60s, to strengthen the retirement system and give everyone peace of mind for retirement.

Q: How large is the retirement adequacy gap of Singaporeans?

A: Mr Wong replied that for younger age groups, the gap is not severe due to Workfare, the Progressive Wage Model and the extra interests they earn in CPF. There are some vulnerable areas like gig work, and the government is working to addressing them. The gaps are greater for the Pioneer and Merdeka Generations as well as those in their 50s and 60s because they have not had the runway to benefit from the enhancements to the CPF system and to the labour markets that have been made in recent times. For the Pioneer and Merdeka Generations, there are already schemes to help them and Mr Wong added that the government will also see what more it can do. For those in their 50s and 60s, the government is studying what can be done to close the gap too.

Q: It is reported that 69.45 per cent of Singapore's economy is service and about 25 per cent is industry. Would it not be in Singapore's interest to expand the diversity across sectors rather than continue within existing sectors that form the supermajority of Singapore's economy? Considering that institutions break like glass rather than bend like steel, should Singapore diversify its sectors with haste and urgency?

A: Mr Wong pointed out that services is a very broad classification for many sub-sectors. It includes logistics, wholesale trade, retail, hospitality, F&B, professional services and real estate, so it is not quite accurate to say there is an over-concentration of services. This could also be further broken down into the specific industries. For example, he said Singapore has been making great efforts to diversify its manufacturing sector, which comprises 25 per cent of the economy. According to Mr Wong, this diversification of our economy is something that we have been doing over the years, and we will certainly continue to do so. He agreed that Singapore should not be overly concentrated in any particular area, to ensure there is a vibrant economy with opportunities for everyone to thrive.

Q: What is the government doing to encourage companies to implement good inclusive workplace policies? What is the government as an employer itself doing in that regard?

A: Mr Wong said that fair employment practices have been discussed for a while now. A few National Day Rallies ago, Prime Minister Lee Hsien Loong talked about codifying some of these provisions into law — basically an anti-discrimination act that will require employers to make sure that their employment practices are fair and not discriminatory on the basis of sex, race, religion and age. Mr Wong said that discrimination can take many forms and explained that it is very important to ensure that every employer hires, promotes and appraises their staff purely on the basis of work and merit. The government is taking action with regard to legislation and will continue to see how employers can be encouraged to uphold not just the law itself, but also the spirit of it so as to promote more inclusive workplace practices and fairer employment practices across the board. He added that the public service will do its part too.

Q: Seeing the boom of the gig economy during the pandemic, how can the government as well as consumers help to support gig workers?

A: Mr Wong said there is a role for platform workers and platform companies in the economy, and he does not think that will go away. He mentioned that he is more concerned about occasions where platform companies hire a lot of workers who tend to be younger and more vulnerable. They may be enjoying the flexibility of gig work but in the end, they are not building up their retirement savings sufficiently. He elaborated that a tripartite advisory committee has been convened, which recently recommended a proper CPF system in place for these gig workers. Mr Wong added that the government is working through the recommendations and seeing how they can be implemented. In the future, there will still be gig work and platform companies. He noted that people may choose to take on these jobs for many reasons, but they can be assured that they are also building up their retirement savings for their future.

Q: The word you used most often in your speech was “we”. Who owns the responsibility when you say “we” will take care of this and that? Over the next 10 to 20 years, do you see a need to rebalance the contributions made by government and society when it comes to addressing big issues?

A: Mr Wong noted that when he uses “we” in his remarks, he often does not mean just the government. He highlighted in one or two instances the role that everyone has to play. Employers and consumers will have to play a key role in changing mindsets and in being prepared to pay more for services delivered by our fellow citizens, especially if we are concerned about uplifting the wages of lower-income Singaporeans. That said, he added that people should also recognise that the government has a role to play and can do more. This is something that is being deliberated — not necessarily spending more, but how the government might review and update their policies.

Where government spending is concerned, there is some scope for it to increase. In last year’s Budget, Mr Wong had said that the government spent about 18 per cent of the GDP. That is relatively low, compared with many other developed countries. But with an ageing population and with healthcare needs and social spending expected to rise, he stated the government will likely spend about over 20 per cent of the GDP by 2030. A two-percentage point increase may not seem like a lot, he said, but the GST increase alone, for example, hardly meets the delta in increased spending. In other words, revenue must be generated in other ways and Singaporeans must be prepared to do their part to contribute the additional revenue in order to meet that increased expenditure and provide the necessary support for all Singaporeans. He added that he does not think Singapore has to go the way of some European countries, which is to spend a lot more and have much higher taxes. From where Singapore is today, there is scope for the government to do more, in partnership with everyone else in society. He believes this is how Singaporeans can refresh its social compact together.

Q: With the increase in inflation, is the government reviewing the levels of the Progressive Wage Model and Workfare?

A: Mr Wong said that he is aware that inflation is certainly a concern for lower-wage workers. That said, lower-wage workers are not just benefitting from Workfare and the Progressive Wage Model. They are also receiving support from the government explicitly to help cope with inflation, such as utility rebates and cash for lower-income families to offset the inflation-driven increase in spending. For middle-income families, the support will be sufficient to offset about half of the increase in spending arising from inflation. That was what the government did last year (in 2022), and it will consider what it has to do this year, said Mr Wong. In totality, there is Workfare, the Progressive Wage Model and there will continue to be support measures to help families, particularly those in the lower-income groups, cope with the pressures of inflation. It does not mean that Workfare and the Progressive Wage Model will not be updated over time, but the key is that there are different measures to address different issues, including inflation. He added that not all of the help needs to be loaded on Workfare and the Progressive Wage Model, as there are other schemes in place as well.

Q: Can we increase paternity leave because it is really important to equalise caregiving at home so that we can have equality in the workplace?

A: Mr Wong said he is committed to continue the review of the whole series of Marriage and Parenthood measures. Leave arrangements are just a part of this, which goes beyond the number of days of paternity leave. He added that a lot is also dependent on changing mindsets in getting fathers to play a bigger role in caregiving for their children. According to Mr Wong, this mindset change has already begun. There are younger fathers today who are more progressive and enlightened; they do want to take care of their children and be more involved. He also pointed out that the mindsets of employers will require change. Overall, the take-up rate of paternity leave amongst men in Singapore is still not as high as what he would like it to be. So there is still scope for the government, employers and society to encourage fathers to play a bigger role. The government will continue to do so by reviewing all the related measures.

Q: Will sexual orientation and gender identity be included in one of the categories that will be protected under the anti-discrimination act?

A: Mr Wong said that sex, which is different from gender, will be covered under the anti-discrimination act. That was something that the Ministry of Manpower has put out, and there will be a debate on this in Parliament when the bill is tabled.

Q: In your speech, you mentioned the need to strengthen the adult skills training programmes so that they lead to better quality jobs. Can you elaborate on the government's thinking on that, particularly with regard to older, mid-career workers whose skills are at risk of being rendered obsolete?

A: Mr Wong replied that the government wants to make sure there is a better system to help mid-career workers. They could already be working today or they could be unemployed, but there needs to be a better system to help them update their skills so that they can do better in their existing industry or perhaps even transit to a new field. He said part of it is to make sure that workers are empowered, to help them navigate these changes. He also noted that the big obstacle to getting new skills for many of these workers is that they need to take time away from work in order to go for substantive training. That is very hard to do for many workers, as their employers may not support or pay them. Designing a system that will support workers to go for the necessary and relevant training will require industry buy-in. It is not just about making the courses available, but thinking about a good curation of programmes with endorsement from the industry so that there is an assurance that after a person goes for training, they can get a better job and a better pay. Mr Wong acknowledged that this is quite a complex issue with a number of moving parts, and there are no good examples of countries with a

comprehensive nation-wide system of adult training and job placement. He added it is something that warrants better design and improvement.

Q: We could have the best policies and strategies in place, but how do we really shift the culture such that we can progress into the future with more equity and equality?

A: Mr Wong said he believes that policies and incentives can facilitate a lot of the changes in the workplace, but it is mindset change that brings cultural change, which is not easy to engender and takes time. Nevertheless, he urged against pessimism. The change can happen, but we must be patient and recognise that there are different stakeholders in this eco-system. For example, a lot has been said about employers having to change their mindsets with regard to investing in their employees' training and ensuring that their employees are paid well and have opportunities to do well in their careers. Mr Wong added that we also need to recognise that the corporate landscape in Singapore is very diverse. The MNCs are quite progressive and have the resources to update their HR policies, but they are only a small fraction of our corporate landscape. A large number of employers are SME owners and many of them are concerned about survival and business costs. The survival of small businesses have to be considered among other important issues, such as workers' security, salaries, retirement and fair employment. Mr Wong said this requires engagement, negotiation and discourse with all the stakeholders that have their own areas of concern. He noted that the good thing about Singapore is that there is a strong foundation of navigating these differences. There is a strong tripartite partnership built up over many decades. There is trust amongst the different stakeholders, which is beneficial when dealing with fair employment, anti-discrimination or flexible work arrangements. Mr Wong emphasises that the changes made through these deliberations may not satisfy everyone, but everyone must learn to compromise and so that we can keep on moving forward. That is what the Singapore story is about, he noted, to refresh the social compact going forward.

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