

Making ours an uplifting society

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One that uplifts everyone through opportunities in life, uplifts the low-paid, and uplifts the spirit

Covid-19, like an X-ray beamed into societies all over the world, has exposed many fractures. It has also widened them, as the pandemic and economic crisis hit those already disadvantaged the hardest.

Governments with the capacity and finances have been able to soften these unequal blows. However, as we now rebuild, we must do more than recover from this crisis. We must tackle the longer-term, more embedded challenges that will outlast Covid-19.

Many advanced nations have seen decades-long stagnation in standards of living for the majority. What's equally troubling has been the loss of relative social mobility: where you end up in life relative to others depends on where you start, and especially on how poor or well-off your parents are. As a result, faith in meritocracy, or in how people can advance in life through education and better jobs, is also on the wane.

These trends have weakened the sense of togetherness in many societies. Where there was once a strong sense of "we", there is now "them versus us". In some places, "them versus us" is not only about the rich or highly educated versus the rest. It also taps into racial or religious antipathies, which then have a life of their own. We have to recognise these changes happening around the world, and prevent them from taking root in Singapore.

We must do the utmost to make ours an uplifting society - one that uplifts everyone through opportunities in life, one that uplifts the poor and vulnerable, and one that uplifts the spirit.

Keeping society fluid

It requires a strong sense of collective mission, and continuous refreshing of strategies. But we should keep two issues foremost in mind. First, to achieve relative social mobility, with people being able to move up in life and exchange places with others, we must also have absolute mobility, where everyone can see things getting better. We must have that escalator that takes everyone up. It helps everyone accept that no one's place on the escalator is fixed, and others may catch up from below or move ahead of them. It also supports a sense of solidarity, because people can see that life is not a zero-sum game, and are willing to have more done to help those in greater need. As many societies are seeing, once that escalator is broken, everything begins to fray, and people turn resentful.

Second, to tackle inequality on any lasting basis, we must address unequal opportunities, above all, and not just unequal outcomes. Surveys around the world show that most people accept some inequality of outcomes, if it reflects differences in effort, ability or entrepreneurial contributions. But the inequality of opportunities is a different matter. It is the bad cholesterol in the system. We have to be especially concerned about unequal

opportunities early in life, as they have a way of ingraining advantages and disadvantages that last through life.

However, we do need to temper unequal outcomes as well - and in particular, avoid people getting trapped in a permanent underclass. When parents have weak and unpredictable incomes, their children tend to have a less secure upbringing, and can easily fall behind and lower their own aspirations. In other words, outcomes in one generation shape opportunities for the next.

Furthermore, in no society can we say that unequal outcomes are entirely to do with ability and effort. They often have something to do with how people started out, and the social networks that give them different scaffoldings in life. For both these reasons, it is only right that we tilt our policies in favour of those with lower incomes, and ensure they have full and fair opportunities in the employment market.

The challenges of social mobility and inequality will get sharper everywhere. We are tackling them in Singapore. But we are not starting from a bad place. We have seen significant increases in real incomes in all segments of the workforce over the last decade. Relative social mobility in Singapore also remains higher than in most nations, although the big solution in the one-off phase after independence, when education and jobs led to a huge wave of mobility, is no longer there.

Our level of income inequality is in the middle of the range among advanced nations (based on the Organisation for Economic Cooperation and Development estimates of Gini coefficients), before taxes and transfers are taken into account. After taxes and transfers, Singapore's inequality is about the same as in places like the United Kingdom, and lower than in the United States. However, we are nowhere near as equal as the Nordic societies and several others in Europe. The Nordics are the most equal in the advanced world, achieved in large part through high tax rates - even median income earners pay about 40 per cent of their incomes in taxes, mainly through income and value-added taxes. They have a stronger culture of solidarity than most, built up over several centuries of living together as close-knit peoples. There are several things we should admire in the Nordics, but their model of redistribution through very high taxation, including of the middle-class, cannot be easily transported to societies with very different histories.

Watch the middle

However, the real challenge is not just to reduce inequality. We must also ensure that the broad middle of society is doing well - the failure of which explains the growing discontent in many places, and political disorder that comes with it.

Among the relatively advanced nations, we have been one of the few where people in the middle have experienced large increases of incomes in the last 20 years. Median wages went up by 65 per cent in real terms. As a result, the middle-income group in Singapore now has higher real incomes than in most societies, a fact that is not often recognised but matters more than our high level of per capita gross domestic product. The Norwegians and Swiss are at the top. However, median real incomes in Singapore are higher than in the US and most other European societies, and well above that in other advanced Asian societies like Japan, Hong Kong and South Korea. (This is even if we give large allowance for any imprecision in the "purchasing power parity" measurements that statisticians use to compare real incomes across countries.)

But remember this too: that same, large lift in incomes in the middle also means we have had a bigger gap in incomes to close below. To illustrate, the gap between the lowest quartile of wage earners and the median is wider in Singapore than in Japan, Hong Kong and South Korea. This is despite our lowest quartile of workers having higher incomes than in those countries in real terms. We have greater wage inequality, but higher real standards of living for most of the population.

Three key planks of solidarity

Covid-19 brought a renewed spirit of solidarity that we must now keep and grow. We must take bold steps to build a society that uplifts. There are no quick fixes. It requires intensive, collective effort by the Government, educationists and social workers, employers, unions, community bodies of many stripes, and of course individuals and families themselves.

The first plank is the most important: keeping social mobility alive and well in Singapore, so we are a place where your destiny never depends on where you start and what your parents do. Second, we must help people bounce back from tumbles in life, and not be set back permanently. And third, we must make further headway in uplifting lower-income Singaporeans and reducing inequality.

Early lives matter

The science and evidence are clear: the first few years matter greatly in shaping a child's potential in life. Through a combination of government and community initiatives, we have to do a lot more to help families and kids during those early years, so that starting disadvantages can be overcome and do not multiply as the kids go through school. KidStart, and the scaling up of quality in our pre-school system, is showing promise. But we still have a long journey ahead.

The gaps between children from different family backgrounds are wide and multifaceted - more so than in Singapore's early decades when the majority of parents had little education or incomes. Even childhood obesity, which unfortunately has a strong influence on both health and achievements through life, is more prevalent among kids from lower-income backgrounds.

The evidence from initiatives in the US and elsewhere shows that it takes both early interventions and programmes sustained over many years to reduce the gaps due to social backgrounds - including the gaps in non-cognitive capabilities that make a difference in life. But each time I am asked, I say that tackling the early gaps in children's lives is the most important of our strategies to secure a more cohesive society. Early Lives Matter.

We must also do more to develop the basic capability of mutual respect from a young age, and a comfort with social diversity. It does not come automatically. Nor can we impart much of it through classroom teaching. It comes mainly through social mixing as we grow, starting from pre-school and all the way through life. Our system of pre-schools has been market-based, and seen less social mixing than our primary schools. The Government is now having a larger hand in the system, and trying to achieve greater diversity through our Ministry of Education kindergartens and the anchor operators.

We have to find more opportunities for social mixing as the kids grow up - not just within schools, but across schools. Co-curricular activities are a major and natural opportunity - training with each other a few times a week, winning and losing together, and staying in a

network of friends well after leaving school. Respect for others with different social backgrounds cannot be tested or measured, but it must be a key outcome of a Singapore education.

Bouncing back

We greatly reduced job losses during Covid-19 through the Jobs Support Scheme and other initiatives. Still, even with a smaller increase in unemployment than most other countries, many Singaporeans have been displaced. We have been doing our level best to help people get back into work - into permanent jobs wherever possible, or into short-term jobs and traineeships while we wait for the job market to pick up.

But matching people to jobs is not about getting the fastest possible match. We have to help them secure jobs that make use of their skills, so they do not lose the human capital they have built up, and do not take too large a pay cut. And we have to help them to top up or upgrade their skills to meet the needs of new jobs, so they can get back onto a promising career trajectory. Achieving all three objectives is in practice difficult, but it is what our whole system of active, tripartite partnerships seeks to achieve, sector by sector. We have enhanced this during Covid-19 - how we coordinate more tightly, encourage and lean on employers to take mature Singaporeans seriously, and coach job seekers to help them stay motivated and rebuild their careers.

It is a system that must outlast Covid-19. Helping people to get back into work has to be a key capability everywhere in the world. We cannot leave it to the market - many people will get jobs that are a poor match for their skills, or be left jobless for too long and find their skills fading. Both ways, they lose their dignity, and their human capital - and society loses it too. That is one of the reasons why countries that have allowed unemployment to rise sharply and stay high for a period after each crisis, have also seen income growth weaken over the longer term.

Critically too, we have to shift to higher gear in lifelong learning. We are providing strong government support for both individuals and employers to invest in upskilling, through SkillsFuture. It is our best chance for ensuring good jobs for all, even as increasingly sophisticated forms of automation take over more human tasks in future.

But there is another logic to this. Constant upskilling in normal times, when the economy is healthy and people still have their jobs, is also what also helps us prepare for the next downturn when it comes - which it surely will. Like sports - if you have not been training regularly, your chances of getting injured when you take a fall are much higher, and it is that much more difficult to get back up and continue playing as normal. It is the players who have been continually training who are best able to avoid the sprains and pulls, and to spring up, and to carry on the game.

It also illustrates why this is not just about individual resilience, but a whole system of collective resilience - the coaches and trainers, the team-mates that work out together and find ways to up their game, the mentors, and everyone around them who lends support. It is this collective capability that helps people bounce back each time a crisis hits their lives, and it must be a core Singapore strength.

Revaluing blue-collar jobs

Many lower-income workers saw their pay grow rapidly in the last decade. However, the gaps between our lower income and those in the middle are still large, given especially the sustained growth of incomes in the middle over a longer period. We should find ways to reduce these gaps.

It basically requires that we revalue lower-paid blue-collar jobs. Everyone will have to accept a slight increase in what we pay for various services, but that is the cost of achieving a fairer and more cohesive society.

Our basic approach is a combination of strategies: the Progressive Wage Model (PWM) or a "minimum-wage plus", applied on a sectoral basis; the Government topping up wages of lower-income workers through Workfare; and economic strategies that create a broader distribution of good jobs over time.

The PWM is not different in principle from a minimum wage. It is applied sector by sector, with a different minimum wage rung in each, whereas a national minimum wage cuts across sectors. Some other countries like the Nordics too have the former without the latter. What matters in both cases is the actual level of the minimum rung, and in particular how we ensure that it improves pay meaningfully without leading to our more vulnerable workers being displaced. The best studies of experience abroad find that higher minimum wages have reduced work opportunities for the least skilled workers over time, even when overall employment levels remain largely unchanged.

We must ensure in particular that our older workers get higher wages, without losing their place in the workforce. In most advanced countries, it is typically the youngsters they are concerned with when they talk about the minimum wage. In Singapore, it is the other way round. Amongst the bottom 10 per cent of our workers, about half are aged 55 and above. And most of them - two thirds of this group of older, low-wage workers - did not complete secondary school in their time. They missed out on the transformation of our education system. Most have done simple jobs all along. Now in the latter part of their careers, they are still diligent workers but with limited capacity to switch to better jobs if they are displaced from their current ones.

A national minimum wage does have the merit of simplicity. But it also requires getting that single minimum level for all sectors just right, which is more complicated than it looks. Hong Kong, even after several revisions over the years, has a minimum wage set at HK\$37.50 (S\$6.40) per hour, which covers only 1 per cent of the eligible workforce. South Korea went for a more ambitious target in recent years, as part of the government's political manifesto. But it had to step back from the target in 2019, apologising for the difficulties the higher minimum wage had caused to SMEs, as well as to lower-income workers themselves, who lost jobs or saw their earnings fall as employers cut working hours to save costs.

We have started with a more calibrated approach, with the PWM wage rungs in each sector being negotiated among the tripartite partners. The median pay of our older cleaners (aged 55 and above), went up from \$850 in 2012 to \$1,350 in 2019 - before counting Workfare. It was in good part because of the PWM. Including Workfare, their median pay was \$1,560. All that in seven years, and without job losses. We will extend the PWM to more sectors, once we get past the Covid-19 crisis.

Fundamentally though, we must have an economy that creates enough jobs for Singaporeans, including those with lower skills. The basic challenge is that the competition

for our higher-skilled, knowledge-based jobs is global, and mainly among economies with relatively high incomes, whereas lower-skilled jobs are at risk of work being outsourced to lower-cost labour forces in Asia. Our basic strategy therefore must be to compete on the basis of a whole ecosystem, not each segment of the workforce on its own, so that we create greater "stickiness" of middle- and lower-skill jobs in Singapore. We are doing this by providing businesses the advantages of first-class logistics and other services, a strong R&D infrastructure, access to specialist capabilities sourced globally or in Singapore, and significant support for reskilling and upskilling their workforces. This broader ecosystem is critical to ensuring good jobs for all our workers.

Uplifting the spirit

The traditional strategies of both left and right in the advanced societies have lost their appeal. But we need more than ever the core values of the left, of social empathy and solidarity. We also need the core ethic of personal responsibility and effort that the conservatives have always espoused. These values are not at odds with each other.

They form a compact at the heart of how we make ours an uplifting society. Where individuals put effort into learning and improving, and want to contribute what they can in life. Where unions, community organisations and non-governmental organisations look out for those with less, and help them make the most of opportunities. Where employers take the high road, give mature workers fair chances to restart their careers and invest continually in their people. Where the Government itself is an activist in support of social mobility, helping people bounce back when they fall, working towards fair rewards at work, and integrating people of different backgrounds in the same, continually upgraded neighbourhoods. And underlying all of these: where we treat each other as equals in the to and fro of daily life, never excluding anyone, regardless of the jobs we do or our social and ethnic backgrounds. It's how we uplift the spirit.

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