

Relative poverty, social stratification likely to persist

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Professor Tommy Koh's thoughts are always compelling and challenging, never unctuous nor confrontational (Tommy Koh's post on ST report sparks online debate; Oct 28).

Still, with all due respect, he was not altogether correct when, during the Institute of Policy Studies' (IPS) 30th anniversary conference, he challenged Manpower Minister Josephine Teo's position that a minimum wage would cause more unemployment.

Studies in Japan, which already has a minimum wage, have shown that within a certain age group, albeit teenagers, the impact of even increasing the wage marginally does bring about a decrease in employment rate, decrease in the number of employees or decrease in working hours while paradoxically also increasing poverty rate.

For Hong Kong, Oxfam found that a minimum wage has a minimal effect on working families and has not ameliorated poverty much. Meanwhile in Taiwan, where the minimum wage is set at a very low level commensurate with a decade-long salary stagnation, the minimum wage did not increase unemployment rates but may have caused the long-term problem of increasing school dropout rates.

A minimum wage may or may not increase unemployment rates, as the experience of other countries has shown.

But it will bring about a decrease in competitiveness of local industries already caught in the vice of a high Singapore dollar and lower costs of production overseas.

While the wage differential between those just above the minimum wage and those who are on it is small, demands will be made to increase the minimum wage too, and this will go all the way up, unless a maximum salary for high earners is also imposed. Otherwise, the result will simply be pay inflation.

No matter what, a minimum wage has only limited effects on relative poverty and societal stratification will persist.