

MAS' Ravi Menon: Minimum wage can be considered to uplift those with lowest income

For a “truly inclusive society” to be built, Mr Menon said, this requires “a value system that places the welfare of our fellow human beings alongside our own.”

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Singapore — The managing director of the Monetary Authority of Singapore floated the possibility of having a minimum wage to help those with the smallest incomes although he warned it would not do much to address income inequality.

Speaking on the topic of an inclusive society at the Institute of Policy Studies (IPS) at the Lee Kuan Yew School of Public Policy on Thursday (Jul 22), Mr Ravi Menon said that a minimum wage could complement Singapore's Progressive Wage Model (PWM).

MR MENON EMPHASISED THAT THE RATIONALE BEHIND IMPOSING A MINIMUM WAGE IS “TO HELP LIFT THE WAGES OF THOSE AT THE BOTTOM OF THE INCOME DISTRIBUTION.”

He added, “A minimum wage also signifies a societal value: That no one should be paid less than this amount for his or her labour. It is not unlike setting minimum standards for workplace safety and humane conditions of work.”

The head of Singapore's central bank pointed out that the Local Qualifying Salary (LQS), which at this point is pegged at least \$1,400 monthly, could be used as a de facto minimum wage.

It is the minimum salary required to be given to resident workers in order for them to be included in a company's total workforce in determining the work permit and S Pass quota entitlement.

The MAS director said the LQS had been increasing by \$100 yearly, and that the authorities could consider steadily increasing it over time.

The issue with a minimum wage is that in its implementation, the price of hiring foreign workers would need to be raised.

He said, “While one way to do it would be to raise foreign worker levies, the levy increase could simply be passed down to the foreign worker in terms of wage reductions, leading to a reduction in labour quality.”

Another factor to consider is at what level the minimum wage should be.

If, for example, it is set at \$1,200 monthly, the following questions would have to be asked: “What is the wage distribution of workers earning below the \$1,200 level?”

If most of them are bunched close to \$1,200, there is a good chance the positive wage effect could be sizeable while the negative employment effect is trivial. But if most of these workers are well below \$1,200, there is a chance that many of them may become unemployed.

Is there scope to move them to other jobs?” said Mr Menon.

He reiterated his belief that the PWM is still more beneficial toward low-wage workers than a national minimum wage, since it is sector-based as well as features a wage ladder allowing workers to earn higher pay the more skills they acquire.

However, he admitted that the PWM has limitations as well, which is why minimum wage and the PWM can work as complements to one another.

For a “truly inclusive society” to be built, Mr Menon said, this requires “a value system that places the welfare of our fellow human beings alongside our own.”

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