

PAP MP floats idea of minimum wage, criticizes ‘overheated’ growth model

A growth driven policy has dislodged Singapore’s economy, workforce, and other infrastructure, says PAP MP.

Choo Zheng Xi

The Online Citizen, 20 January 2009

A minimum wage law was a constant theme of the late opposition icon Mr Joshua Benjamin Jeyaretnam, and more recently canvassed by ex-NTUC Income CEO Mr Tan Kin Lian. But yesterday the minimum wage was canvassed by an unlikely proponent: businessman and People’s Action Party (PAP) Member of Parliament, Mr Inderjit Singh.

Speaking in his personal capacity at the Institute of Policy Studies’ (IPS) Singapore Perspectives 2009 seminar, Mr Singh said that cheap foreign labor had depressed wages, and this hurt low income Singaporeans the most.

“As we brought in more and more people, many from India and China, not just at the top level of talent, but also at various levels including unskilled workers, we depressed wages of Singaporeans”, he said.

Noting that the problem of low wages was exacerbated by a high cost society, he added:

“Our costs continued to go up. So we caused a double whammy for Singaporeans who had no choice but to live with the high cost of living while having to accept lower wages”.

Minimum wage a possible solution

One way of solving this problem, he said, could be a minimum wage policy.

Speaking to TOC after his speech, he acknowledged that a minimum wage would be an additional cost to business, but that the government was in a position to draw up a scheme to make it workable.

Noting that the government was “unlikely to move very quickly on this”, he nevertheless emphasized its importance.

“If we would like to see Singapore moving up as one of the most developed countries in the world, and costs increase accordingly, lower income Singaporeans might need a minimum wage to survive.”

One way of doing it, Mr Singh suggested, was “either we incentivize companies to implement it, or the government has to supplement wages to a minimum level.”

Mr Singh favoured an incremental introduction of a minimum wage policy, as companies might not immediately adapt well to such a policy in the current economic downturn.

To begin with, the government could work within the existing Workfare Income Supplement (WIS) framework to level up wages. Mr Singh suggested including workers earning up to

\$2,000 in the scheme. The current scheme covers only those earning up to \$1,500. He also suggested giving payouts on a monthly basis instead of the current six-monthly payout.

Growth at all costs a mistake

In the course of his presentation, Mr Singh was critical of several of the aspects of the Singaporean growth model, which he characterized as “growth at all costs”.

He raised the problem of high business costs not matched by productivity, tracing it to the government’s fixation with moving up the manufacturing value chain too quickly.

Mr Singh told the audience of 700 that a growth driven policy had “dislodge[d] Singapore’s economy, workforce, and other infrastructure”. He felt that a “slower rate of development, encouraging the stretching of domestic capabilities and technologies, would keep industries in Singapore for a longer period of time”.

He was also critical of what he called the government’s approach to “disincentivize companies from trying to keep many of what the government considered as no longer attractive capabilities in Singapore”, which he felt had led to too high a turnover in Singapore’s core competencies and had “made it difficult for Singaporeans and firms to cope”.

Moving ahead, Mr Singh proposed a model he felt was more sustainable:

“The suggested model should involve a moderation of cost while Singapore’s core competencies are strengthened...We must avoid any “boom and bust” type of policies, which go for broke in good times and slow down when the world economy grows.”

Note:

In 2008, Mr Inderjit also criticised the “growth at all cost” policy. He “pointed out that the “grow-at-all-costs” policy of the government might have overheated the economy and worsened the income divide... “I feel a significant part of the inflation has been caused by factors that we could have controlled.

“In the last two years, the government has contributed to inflation by allowing multiple cost increases, both directly or through policy changes that resulted in cost increases.

“The end result is an era of very high cost increases, high inflation not supported by enough wage increases, especially for the lower and lower middle income Singaporeans and companies.” (Channel NewsAsia)