

## Speech by Minister of State for Manpower, at Committee of Supply 2019

### Inter-Ministry Joint Segment on Inequality and Mobility

#### MOM: Uplifting Singaporean Workers

- A. Raise incomes of lower-income workers and encourage them to stay employed**

#### Introduction

- A1. 2M Indranee had earlier shared about MOE's efforts to ensure every child has a good start in life to fulfil his/her aspirations.
- A2. I shall now touch on how we uplift Singaporean workers. With your permission, Mr Chairman, I have asked the Clerk to place a handout on members' seats.

#### Taking stock of our approach

- A3. The outcomes show that we are moving in the right direction. Between 2012 and 2017:
- i. **Lower-income workers had higher income growth than the median worker.** Wages of workers at the 20<sup>th</sup> percentile grew by 24% cumulatively in real terms<sup>1</sup>, while incomes at the median grew by 21%.
  - ii. **Individual income growth also translated into increasing household incomes.** For low-income Singaporean households, this grew by about 26% cumulatively in real terms, higher than the 24% for median households.

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<sup>1</sup> Incomes of full-time employed citizens, including employer's CPF contribution, before Government transfers.

iii. **Significantly, income grew even as the employment rate for residents<sup>2</sup> remained high** at about 80%.

A4. These outcomes did not happen by chance. They arise from **multiple layers of support** to upskill our workers, uplift their wages, while keeping employment high and unemployment low.

A5. What this means is that we must stay focused on three key strategies.

i. First, we must **maintain a thriving economy with a tight labour market**, and constantly look out for opportunities to create better jobs. Full employment is the best way to ensure the welfare of workers.

ii. Next, we must **strive for quality growth based on productivity improvements** that all Singaporeans can benefit from, including our lower-income workers.

iii. Third, we **support our lower-income workers at both broad-based level and within specific sectors** to ensure they can progress with the rest of the workforce.

iv. My speech today will focus on this third thrust. MOM will elaborate on the first two thrusts during our COS debate later.

### **Workfare Income Supplement (WIS) Scheme Enhancements**

A6. The Workfare Income Supplement (WIS) Scheme is a broad-based measure that tops up the salaries of our lower-income workers and helps them save for retirement.

A7. As announced by the Minister for Finance in his Budget speech, from January 2020, we will enhance Workfare by:

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<sup>2</sup> Residents aged 25 to 64.

- i. Raising the qualifying income cap from \$2,000 to \$2,300 per month; and
  - ii. Increasing the maximum annual payouts by up to \$400.
- A8. With these enhancements, we will disburse almost \$1 billion of annual Workfare payouts in 2020, benefitting close to 440,000 Singaporeans, including self-employed persons.
- i. 64-year-old Mdm Goh Geok Kee will be one such beneficiary.
  - ii. Auntie Geok shared with me that she has been cleaning our MOM Service Centre and receiving Workfare for the past 7 years. Many of her co-workers also receive Workfare.
  - iii. With this year's Workfare enhancements, Auntie Geok's Workfare payouts will boost her income by about 25%.
  - iv. Auntie Geok told me that as long as she remains fit, she would like to continue working.
- A9. Mr Zainal Sapari suggested removing the age differentiation for WIS.
- i. We designed Workfare for more payouts to go to older workers like Auntie Geok who have less runway to upgrade their skills and save for retirement. We hope to encourage more older workers like Auntie Geok to stay economically active.
  - ii. Our younger workers have greater potential for income growth, and can be better supported through upskilling efforts to build human capital.
- A10. Workfare also helps workers save more for retirement. Mr Zainal proposed increasing the cash component from 40% to 80%, and decreasing the CPF component from 60% to 20%.
- i. The cash component is in fact higher today than when Workfare first started.

- ii. In addition, whenever the Government provides extra Workfare bonuses such as this year's Workfare Bicentennial Bonus, these bonuses are generally paid fully in cash.
- iii. I understand members' desire to look after the workers' immediate needs. From 2020, the enhanced Workfare payouts will give all workers higher cash payments for daily needs.
- iv. But their needs in retirement still matter. We worry about how they will cope when they eventually stop work. We also want our lower-income workers to benefit from the higher interest earned in CPF. Compounded over time, the savings will help them have more in retirement.
- v. We will also help workers who need financial assistance, through ComCare and other schemes.

A11. We will continue to review Workfare regularly to continue to help target groups like Auntie Geok and her co-workers.

#### **Other forms of government support**

A12. Most Workfare recipients, including Auntie Geok, also receive other government support to help meet their living needs.

- i. Over 90% receive U-Save rebates and additional cash assistance under the GST Voucher scheme.
- ii. 4 in 10 receive medical and dental subsidies under the Community Health Assist Scheme (CHAS).
- iii. Those with children also receive childcare and student care subsidies, if eligible.
- iv. Nearly half receive 3 or more types of government transfers each year.
- v. Notably, 75% of Workfare recipients own their homes.

A13. 49-year-old Mr Gunasegaran S/O Sellayya is another good example. Mr Guna works as a supervisor, managing eight other cleaners.

- i. Mr Guna has been receiving Workfare monthly.
- ii. GST Vouchers and U-Save rebates help to offset his daily household expenses.
- iii. Mr Guna owns a three-room flat that he lives in with his family.
- iv. His two elder daughters receive MOE Financial Assistance. Each gets a waiver of standard miscellaneous fees, free textbooks and school attire, and public transport credit.
- v. His youngest son receives the Kindergarten Financial Assistance. Mr Guna enjoys 99% of kindergarten fee assistance, paying only \$1 monthly.
- vi. Mr Guna's retired mother has a CHAS Orange card and receives subsidised care at CHAS clinics.

A14. Our approach of providing **multi-layered support is more responsive to the varied needs of individuals** than any single minimum or living wage.

- i. Furthermore, this **cost of wage supplement is borne fully by the Government**, with no cost passed on to employers and consumers.
- ii. Importantly, we achieved **significantly faster real median income growth and ranked high on employment rates** compared to the other developed countries<sup>3</sup>.

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<sup>3</sup> Singapore ranked 7<sup>th</sup> amongst OECD countries for employment rates of persons aged 25 to 64 in 2017.

## **B. Encourage lower-income workers to upskill**

- B1. Beyond transfers, we also support skills upgrading to help lower-income workers achieve sustainable wage growth, and progress along with the workforce.
- B2. The Workfare Training Support (WTS) Scheme encourages lower-income workers to upskill to access better jobs with higher wages as the economy transforms.

## **C. Providing a ladder of opportunities**

### **Update on Progressive Wage Models (PWM)**

- C1. The tripartite partners have introduced the Progressive Wage Model (PWM) in the Security, Landscape and Cleaning sectors as a targeted intervention to address the market failure of “cheap sourcing” and support sustainable wage increases.
- C2. Since implementation, workers in these 3 sectors have seen positive real wage growth.
  - i. Between 2012 and 2017, full-time resident security guards, landscape maintenance workers and cleaners benefitted from larger real wage increases of 23%, 36% and 44% respectively<sup>4</sup>, compared to 21% for the median resident worker<sup>5</sup>.
  - ii. Over 70,000 resident workers have benefitted so far.
- C3. Dr Intan asked whether the PWM can be extended to more sectors.

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<sup>4</sup> Median gross wage of full-time resident employees, excluding employer’s CPF contributions.

<sup>5</sup> Incomes of full-time employed residents, excluding employer’s CPF contributions.

- i. Ultimately, improving productivity is key to sustainable wage growth.
  - ii. PWM helps to mitigate effects of market failure from “cheap sourcing”. We will hence be extending the PWM to the lift maintenance sector that similarly experiences depressed wages due to outsourcing.
  - iii. We also encourage employers in other sectors to adopt the principles of progressive wages and skills, and provide clear progression pathways for their workers.
  - iv. On a voluntary basis, employers and unions have also established PWMs in public transport and healthcare. We will explore facilitating more of such voluntary PWMs.
- C4. Mr Zainal suggested reviewing the PWM training requirements to specify compulsory modules.
- i. As Chairman of the 3 Tripartite clusters, the member would be aware that the tripartite partners have agreed on the training requirements in the PWMs, including specifying mandatory modules and giving employers flexibility to send their workers for other relevant training.
- C5. We have also been enhancing these 3 PWMs with wage enhancements and bonuses.
- C6. Together, the tripartite partners are fully committed to improving the lives of our lower-income workers.

**D. Signal non-wage levers to be covered in next speech**

D1. Beyond improving wages, MOM also works closely with our tripartite partners to improve our workers' well-being. I'll cover this under MOM's COS debate.

**E. Building on what is working well for Singapore**

E1. We have had a decade of Workfare.

E2. The handout highlights key outcomes of Workfare, and how Workfare and the multiple layers of support have uplifted families like Mr Guna's and Auntie Geok's. Over the last 10 years:

- i. 830,000 Singaporeans have benefitted from \$5.5 billion of Workfare payouts<sup>6</sup>.
- ii. We achieved good income growth while keeping employment high.
- iii. Our lower-income workers continue to upskill and grow their assets.

E3. Let us build on what is working well for Singapore and stay on the task of uplifting Singaporean workers like Auntie Geok and Mr Guna.

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<sup>6</sup> From 2007 to 2017.