

Workfare and other support measures have uplifted low-wage workers

A broad spectrum of Singaporean workers has benefited from wage growth in the last decade. Between 2012 and 2017, wages at the 20th percentile grew at 4.2 per cent per annum, faster than the median wage growth of 3.4 per cent in real terms.

The topic of minimum wage is not new. After decades of debate, economists remain divided.

Introduced in 2007, Workfare reflects Singapore's approach of going beyond this debate to find a solution that works for our society. Workfare took inspiration from the Earned Income Tax Credit, which was implemented in the United States and is regarded by some quarters as one of the more effective programmes to uplift low-wage workers.

Workfare payouts are targeted at those with limited household support, with more going to older workers. For example, a 65-year-old worker earning \$1,200 monthly would receive \$300 more through Workfare each month. Over the past decade, about 830,000 Singaporeans have benefited from the \$5.5 billion disbursed through Workfare.

Most Workfare recipients qualify for other forms of social support. The same worker in the example above would receive government transfers comprising Workfare, Silver Support and GST vouchers amounting to nearly six months' salary or \$7,000 annually.

In sectors where "cheap outsourcing" reduces the incentive to upskill workers and limits their bargaining power, the tripartite partners have implemented the Progressive Wage Model (PWM).

Unlike a minimum wage, PWM is a ladder, not a floor. Every worker can earn more wages through better skills, enlarged responsibilities and higher productivity. PWM also takes into account sectoral differences and offers a pathway for raising pay which both employers and employees can accept.

Mandatory implementation of PWM in four sectors benefits over 70,000 workers. Thousands more benefit from their employers' voluntary adoption of PWM.

Proponents of a minimum wage share the same strong desire as the Government in wanting to mitigate inequality and better distribute gains in our society.

Workfare and PWM, together with many other support measures, have uplifted low-wage workers, while keeping employment levels high and unemployment low. They are by no means inferior to a minimum wage and continue to be enhanced regularly.

Lim Tze Jiat

Director

Workplace Policy and Strategy Division

Ministry of Manpower

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