

The Role of Tripartism in Singapore's Progressive Wage Model



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Introduction

At the 2021 National Day Rally, Prime Minister Lee Hsien Loong announced a significant expansion of the Progressive Wage Model (PWM), intended to uplift the wages of lower-income local workers. The PWM, a system of wage floors and ladders, would be extended to more sectors and, for the first time, cover specific occupations that cut across sectors, such as drivers and clerical staff. Beyond these sectors and occupations, all firms that wish to hire foreigners would be required to pay their local employees at least \$1,400, the prevailing Local Qualifying Salary which could be revised from time to time.

The elevation of PWM to a key platform in the national strategy to raise incomes and narrow the socio-economic divide came nine years after PWM was first introduced in the cleaning sector. What was the motivation for PWM, how is it different from a minimum wage, and is it likely to succeed? To gain insights into these questions, it is useful to trace the evolution of PWM with particular attention to the central role of tripartism in the development and implementation of this model.

Background:

Singapore's approach to incomes and social welfare

Since Singapore's independence, the government has pursued economic development with the aim of raising incomes and living standards. Singapore has been described as a "social investment state" focusing on investment in education and skills rather than social transfers.¹

In tandem, the government upheld the ethos of "self-reliance" – that individuals should take responsibility in providing for their own needs, failing which they should seek family or community support, before turning to the government for help as a last resort. This had the dual purpose of containing social expenditure, keeping public finances on an even keel, while developing an industrious, disciplined workforce to support economic development. The government often warned of the dangers of Western-style social welfare, which it feared would undermine work ethic and impose an unsustainable fiscal burden on future generations.²

The government's stance had two implications. First, labour policy was geared towards attracting foreign direct investment, as well as supporting business formation and growth. This required a

conducive business environment and a flexible labour market. Employers faced minimal restrictions in hiring and firing, and enjoyed ready access to foreign manpower. Features common in other advanced economies, such as a minimum wage, were conspicuously absent.

Second, in lieu of job and income protection such as unemployment insurance, the focus was on getting unemployed persons back to work as quickly as possible through retraining and employment facilitation; instead of a minimum wage, the priority was to equip workers with skills for greater employability and productivity.

The success of Singapore's export-led industrialisation from the 1970s through to the 1990s generated strong economic growth and rising incomes across the board, while keeping unemployment low. This lent credence to the claim that "a job is the best welfare",³ with income from work the principal guarantor of high living standards for the vast majority.

¹See, for instance, Eugene K. B. Tan, "The Makings of a Social Investment State," *Today*, 22 February 2014; Vernon Loke and Michael Sherraden, "Building Assets from Birth: Singapore's Policies," *Asia Pacific Journal of Social Work and Development*, 29(1) (2019): 6 – 19.

²Singapore's approach is summarised in W.L. Terence Ho, *Refreshing the Singapore System* (World Scientific, 2021), chapter 3.

³Lim Swee Say, speech at the Ministry of Manpower Committee of Supply Debate, 2018.

Workfare as alternative to minimum wage

Signs that the socio-economic system had come under strain emerged in the mid-2000s, following the severe acute respiratory syndrome (SARS) outbreak and the global electronics slowdown, when economic recovery failed to lift wages at the lower end of the income distribution. Structural driving forces included technological change and global competition, particularly with the opening up of China and India, which had resulted in slow wage growth and increased wage dispersion across the developed world.

While the solution of choice in many countries was to implement a minimum wage, Singapore opted for a wage supplement instead. Inspiration was drawn from welfare reforms in the American state of Wisconsin, which paired wage supplements and other forms of social support with strict conditions relating to employment. As the intent of work-based welfare or “Workfare” was to make work more attractive than outright welfare, this could be reconciled with the principle of “Reward for work; work for reward”.

The Workfare Income Supplement (WIS) was established as a permanent scheme in 2007, replacing the one-off Workfare Bonus Scheme introduced in 2006. WIS tops up the incomes of the bottom 20% of wage earners aged 35 and above,⁴ with some support for those earning slightly more.

WIS payouts depend on age and income, and are disbursed in the form of cash and Central Provident Fund (CPF) contributions.⁵ The amount of support rises, or “phases in”, with income, up to a point. Support then plateaus before “phasing out” when income rises above a certain threshold. Workfare support has been repeatedly enhanced over the years and can amount to as much as 30% of an older worker’s income. Self-employed persons are also eligible for WIS if they make CPF contributions; however, they receive two-thirds the payouts of employees, and only 10% of their payouts in cash.

The Ministry of Manpower set up a Tripartite Committee on CPF and Work Related Benefits for Low-wage Workers to address the issue of non-payment of CPF among lower-wage workers, so that those who qualified for WIS would not be denied its benefits.⁶ The TriCom, as it was known, was tasked with galvanising tripartite partners to reach out to lower-wage workers, employers, and lower-wage self-employed persons, to raise awareness about the benefits of CPF and WIS; as well as their employment rights and obligations.

Besides WIS, lower-wage workers receive additional training subsidies under the Workfare Skills Support scheme, previously known as the Workfare Training Support scheme.

⁴It was announced at the 2021 National Day Rally that the cut-off age for WIS would be lowered to 30.

⁵CPF is a mandatory savings plan for working Singapore citizens and permanent residents to fund their retirement, healthcare and housing needs.

⁶<https://www.mom.gov.sg/newsroom/press-releases/2007/tripartite-committee-on-cpf-and-work-related-benefits-for-low-wage-workers>.

Introduction of the Progressive Wage Model

Workfare notwithstanding, stagnant wages remained a policy concern, particularly with the onset of the Global Financial Crisis in 2008, which made it a priority for firms to manage excess manpower while striving to avoid cutting jobs.

It was evident that something had to be done to address wages in essential service jobs such as cleaning and security, which also suffered from poor job image. According to National Trades Union Congress (NTUC) then-Assistant Secretary-General Zainal Sapari, employment contracts tended to be one-sided and skewed in the employer's favour.⁷ As these jobs had difficulty attracting younger local workers, they relied heavily on low-wage foreign workers. Service contracts were typically based on headcount rather than outcomes, resulting in low technology adoption and productivity. Employees, too, were reluctant to undertake training when they saw little opportunity for income growth or career progression.

Of particular concern was “cheap sourcing”, the practice of outsourcing and competition for contracts that had led to depressed wages for cleaners. Cleaning companies would submit low bids to win cleaning contracts, then rehire the

same workers at lower wages. Consequently, the median gross monthly income from work (including employer CPF) of cleaners and labourers declined from \$1,044 in 2001 to \$954 in 2007, before inching up to just \$1,063 in 2011.⁸

Office cleaners' pay rose from \$767 in 2009 to \$800 in 2010, but industrial cleaners saw their pay fall from \$850 in 2009 to \$572 in 2010.⁹ As at 2012, the majority of the 69,000 cleaners (including about 55,000 resident cleaners) still earned a basic wage below \$1,000.¹⁰ This could have been due to cheap sourcing, entry of older workers willing to accept a lower pay, as well as competition from low-wage foreign workers.

An early effort to address “cheap sourcing” was the Best Sourcing Initiative under NTUC's Inclusive Growth Programme. Companies could receive up to \$150,000 in government grants if they pursued productivity growth accompanied by wage gains of at least 10% for lower-wage workers. However, NTUC's Zainal Sapari recounted that progress was “painfully slow, and in fact too slow to have any significant impact on the industry as a whole.”¹¹ Outsourced service sectors such as cleaning still faced challenges including stagnant wages, limited career progression, poor job image and recognition and low training take-up.¹²

⁷ Zainal Sapari, interview with author, 16 November 2021.

⁸ Source: Comprehensive Labour Force Survey, Manpower Research and Statistics Department, Ministry of Manpower.

⁹ Toh Yong Chuan and Janice Heng, “A Cleaner's Wage,” *Straits Times*, 1 July 2012.

¹⁰ *The New Paper*, 24 Jun 2011, <https://www.asiaone.com/print/News/Latest%2BNews/Singapore/Story/A1Story20120623-354916.html>.

¹¹ Zainal Sapari, “Can You Help, Please?” *Labourbeat*, 8 December 2016, <https://www.labourbeat.org/opinions/can-you-help-please/>.

¹² Zainal Sapari, email interview, 21 March 2023.

Subsequently, a Tripartite Cluster for Cleaners (TCC) was formed, with representatives from the government, NTUC, Singapore National Employers Federation (SNEF), service providers (employers) and service buyers. According to Zainal Sapari, the TCC's initial thinking was to set a single wage floor of \$1,000 for cleaners.¹³ However, then NTUC Secretary-General Lim Swee Say preferred a wage ladder that would correspond to workers' skills, productivity and job responsibilities instead.

Lim explained, "I had three reservations about setting just a minimum wage. It could lead to 'no wage' for the more vulnerable workers. It could become a 'maximum wage' if employers are not willing to pay beyond what is required by law. And finally, it could become a 'sticky wage' if not adjusted regularly and frequently. WIS and other forms of social transfer reduced income inequality, but did not address the root causes of low productivity, low skills and low wages."¹⁴ The system he envisaged for Singapore would have four mutually-reinforcing "ladders" of jobs, skills, productivity and wages.

According to Lim Swee Say, the NTUC had always focused on improving the wages of lower-wage workers through various means such as skills redevelopment and job redesign.¹⁵ By 2010, having established a national framework for skills and jobs through tripartite partnerships, NTUC proposed the PWM as an integrated model to upgrade the skills, productivity, career and wages of lower-wage workers in a holistic and sustainable manner, sector by sector.

In 2012, the TCC recommended a "Progressive Wage Model" to provide a pathway for cleaners' wages to progress with training and productivity improvements. In particular, it called for a starting basic wage of at least \$1,000 for the most common types of cleaning jobs, with higher wages pegged to higher skills and job responsibilities.

The design of the PWM addressed concerns that a wage floor delinked from productivity would erode price competitiveness and distort the market. Instead, cleaners were to be equipped with better skills to improve productivity and raise the quality of service. The PWM was also distinct from a minimum wage in setting out a pathway for upgrading, with wage ranges corresponding to different levels of skills and job responsibilities. "The most important feature of PWM is that it specifies wage ranges, not just floors," stressed the NTUC's Dr Tommy Lin, who was part of the pioneer secretariat team that designed PWM. "Many people overlook this."¹⁶

In the initial phase of implementation, PWM was not mandatory. The government announced that from 1 April 2013, government agencies would only engage cleaning companies with the National Environment Agency's Enhanced Clean Mark Accreditation, which required the adoption of PWM. With the establishment of a new cleaning business licensing regime in 2014, PWM adoption became a requirement for all new cleaning contracts from September 2014, and for all cleaning contracts from September 2015.

¹³Zainal Sapari, interview with author, 16 November 2021.

¹⁴Lim Swee Say, email to author, 9 December 2021.

¹⁵Lim Swee Say, email interview, 8 March 2023.

¹⁶Tommy Lin, interview with author, 18 November 2021.

According to Felix Loh, CEO of Gardens by the Bay and SNEF Deputy Honorary Secretary, the licensing requirement ensured that the industry would move together, addressing employers' earlier concerns that companies that implemented PWM would be uncompetitive vis-à-vis those that did not.¹⁷

All local workers (Singaporeans and Permanent Residents) employed in outsourced cleaning jobs had to be paid a basic wage, initially set at \$1,000 for a general cleaner and \$1,600 for a supervisor (see Exhibit 1). This was pro-rated for part-time workers. The cleaning sector was divided into three broad segments – office and commercial sites, F&B establishments and conservancy – each with its own wage floors and ladders. Certain specialised cleaning jobs, such as high-rise cleaning and hygiene room cleaning, which typically commanded higher wages, were excluded.

Cleaning firms were also required to send workers for training. The licensing condition was set at a minimum of one certificate in Environmental Cleaning modules under the Singapore Workforce Skills Qualifications (WSQ) framework, a national credentialing system. However, it was recommended that cleaners

obtain at least two WSQ certificates, and supervisors at least two WSQ advanced certificates. Lim Swee Say noted the necessity of having in place a national system for skills certification. Following the launch of the Skills Redevelopment Programme in 1997, which provided certifiable training to rank-and-file workers, a National Skills Recognition System (NSRS) was introduced in 2000, with the WSQ replacing the NSRS in 2005.¹⁸

PWM wage ladders are updated yearly. A review in December 2016 stipulated yearly adjustments in wages from 2017 to 2019, and a schedule of increases from 2020 to 2022. The forward schedule of increases (up to 2029 as at the time of writing) gives cleaning companies certainty, and can be factored into tender pricing for cleaning contracts. Since 2020, a mandatory PWM Bonus of at least two weeks of basic wages has also been payable to local employees who have worked with the same cleaning company for at least 12 months.

¹⁷Felix Loh, email interview, 31 March 2023.

¹⁸See also Natarajan Varaprasad, *50 Years of Technical Education in Singapore: How to Build a World-Class TVET System* (World Scientific, 2016), 127.

Exhibit 1: Initial PWM Wage Schedule for Cleaning Sector



* Basic Wages

Source: Tripartite Cluster for Cleaners (TCC), *Recommendations of the TCC on Progressive Wages* (2012).

Extension of mandatory PWM to security and landscaping sectors

Besides cleaning, the security and landscaping sectors were also prone to market failure from “cheap sourcing”, with wages consequently low and stagnant. Tripartite clusters comprising union, employer and government representatives were formed for these sectors as well.

In 2012, the median basic wage in the security sector, which hired around 40,000 security guards, was below \$1,000, but overtime and bonuses pushed median gross wages to about \$1,500. The median gross wage of a full-time security guard in 2011 was \$1,550, according to the Ministry of Manpower, up from \$1,379 in 2008.¹⁹

In 2014, the Security Tripartite Cluster introduced the Progressive Wage Model (PWM) for the security industry, recommending a starting basic wage of at least \$1,100, with higher wages pegged to higher skills, productivity and job responsibilities (see Exhibit 2). From 1 September 2016, the PWM became a requirement under the Police Licensing and Regulatory Department licensing regime. Firms were also required to ensure that their security officers completed the required training under the WSQ framework for Security.

¹⁹Toh Yong Chuan and Matthias Chew, “Government Drive Key to Pushing Wages Up,” *Straits Times*, 30 June 2012.

Exhibit 2: PWM Wage Schedule for Security Sector

FUNCTIONAL TRAINING		SUPERVISORY TRAINING		MANAGEMENT TRAINING	
New Applicant	Security Officer	Senior Security Officer	Security Supervisor	Senior Security Supervisor	Chief Security Officer
	<ul style="list-style-type: none"> General Screening Guarding & Patrolling Access & Egress Control Basic incident Response 	<ul style="list-style-type: none"> Incident Response Manage Security & Safety Systems Regulate Traffic (Road Traffic Act) Monitor CCTV/ Central Alarm/ Fire Command Centre Assist State/ Auxiliary Police in Law Enforcement Key Press Management 	<ul style="list-style-type: none"> Incident Management & Reporting Direct Supervision Execute Evacuation Plans & Exercises 	<ul style="list-style-type: none"> In-Charge of CCTV Centre/ Central Alarm Monitoring Centre/ Fire Command Centre Conduct Security & Risk Assessment Higher Supervision 	<ul style="list-style-type: none"> Supervision Management Form & Lead Security Watch Groups Security & Contingency Planning for Large Scale Event
	≥ \$1,100	≥ \$1,300	≥ \$1,500	≥ \$1,700	
	+ 2 Basic Licensing Units to be an SO	≥ 1 yr as SO + 2 cert modules to promote to SSO	≥ 2 yr as SSO + 1 Adv Licensing Unit + 1 adv modules to promote to SS	≥ 2 yr as SS + 4 adv modules to promote to SSS (full advanced cert)	≥ 2 yr as SSS + 3 diploma modules to promote to CSO

Source: Security Tripartite Cluster, *Recommendations of the Security Tripartite Cluster on the Progressive Wage Model for the Security Industry* (2014).

A 2017 review provided for yearly adjustments from 2019 – 2021 and a schedule of wage increases from 2022 – 2024. Another recommendation arising from the review pertained to working conditions: from the beginning of 2021, the security sector was no longer exempt from the limit of 72 hours of overtime work per month.

The PWM for landscape maintenance workers was announced in 2015 by the Tripartite Cluster for Landscape and came into effect in June 2016. This provided for a basic wage of at least \$1,100, with a wage ladder similar to that in the cleaning and security sectors. Adoption of the PWM was a requirement for landscape companies on the Landscape Company Register administered by the National Parks Board.

Challenges faced and role of tripartism in implementing PWM

In developing the PWM wage schedules and training requirements, NTUC proactively engaged the industry bodies and government agencies to forge consensus. Lim Swee Say explained that for PWM to work effectively, mandatory adoption by all players in the same industry was necessary to avoid undercutting by competitors and “cheap sourcing” by service buyers.²⁰ It was necessary for the tripartite partners (union, industry association and regulatory body) to be fully aligned in each sector. According to Lim, this would not have been possible if not for the strong spirit of tripartite collaboration and trust within each sector, which underpinned what he termed a “win-win-win” mindset.

One of the key challenges faced was employers’ concern about the impact on business costs, and whether they would be able to pass on the additional costs to service buyers and consumers. Former MOM’s Divisional Director of Income Security Policy Chan Beng Seng noted that many companies were already locked into long-term contracts in which wages were the main cost component, making it challenging to adjust wages mid-stream.²¹

On the part of unions and workers, there was concern that some workers may be made redundant if they were unable to keep up with the skills and productivity requirements. Lim Swee Say recalled that when skills requirements were introduced for security sector, some believed that only 70% of the existing pool of security guards could make the grade. He said that the Security Tripartite Cluster pressed on in a practical manner, and also provided help and encouragement to the workers. In the end, more than 90% of workers were able to meet the skills requirements and move up the wage and job ladder.

Zainal Sapari noted that tripartism facilitated effective dialogue among the three groups of stakeholders by providing a common platform to share their respective viewpoints. Notwithstanding differences in views, the key to success was to build a shared understanding to arrive at decisions or landing points that everyone can support or find sustainable.²² Dialogues, focus group discussions and surveys were conducted to obtain a good sensing of the ground to inform negotiations, which were conducted in a spirit of give-and-take.

²⁰Lim, 2023.

²¹Chan Beng Seng, email interview, 22 March 2023.

²²Zainal Sapari, email interview, 21 March 2023.

MOM's Divisional Director of Workplace Strategy and Policy Lee Chung Wei highlighted that the alignment of interests is key to forging tripartite consensus.²³ The tripartite partners rallied behind the shared objective of uplifting lower income workers. Unions rallied their members to do their part to upskill and be more effective in their jobs. Employers recognised the need to make pay and jobs more attractive to workers, particularly in a tight labour market. Finally, the government played a key role in setting and enforcing rules for a level playing field.

Chan Beng Seng observed that political will was needed to bring about the PWM.²⁴ He explained that political leaders had to be ready to accept higher business costs, with the confidence that Singapore would continue to be attractive to investment. The leadership also recognised that allowing competitive forces to hold down wages of less skilled workers would lead to untenable inequalities as the cost of living rose.

According to Lee Chung Wei, tripartite efforts were still necessary following the development of a sector's PWM in order to secure the buy-in of stakeholders.²⁵ Tripartite partners collaborated closely on communication and engagement to ensure employers and workers understood and met the requirements.²⁶ They often needed to work through implementation issues, sometimes negotiating differences before agreeing on common guidelines on how to treat specific scenarios or outlier cases.

Felix Loh credits the consultative and collaborative approach taken by the tripartite partners for the smooth implementation of the PWM, pointing in particular to the development of practical and sustainable solutions acceptable to all parties.²⁷ He noted that the phased implementation of the wage recommendations was important in helping employers adjust to the new requirements, reducing the financial burden and administrative challenges of implementing PWM.

²³ Lee Chung Wei, email interview, 22 March, 2023.

²⁴ Chan, 2023.

²⁵ Chan, 2023.

²⁶ Lee, 2023.

²⁷ Loh, 2023.

PWM outcomes and limitations

The implementation of mandatory PWM in the security, cleaning and landscaping sectors benefited over 70,000 local workers. Between 2011 and 2016, the real median gross wages of full-time resident cleaners and security guards increased by 5.7% and 6.4% per year respectively, exceeding resident median income growth of 2.3% per year.²⁸ The median real wages of local workers in the three PWM sectors rose by a cumulative 30%²⁹ between 2014 and 2019, higher than the 21% increase at the median for all sectors.³⁰

The question was whether wage gains could be sustained into the future. Challenges that have been highlighted include limited scope for productivity increases in cleaning and landscaping jobs, and limited number of supervisory roles for workers to aspire to.³¹ Some also complained

of wages being “reset” at the lowest rung when cleaning contracts were transferred from one company to another,³² although the impact has been mitigated by the yearly revisions to PWM wage ladders.

Older, less-skilled workers have found it difficult to move up the wage rungs. As economist Linda Lim (2020) observed, employers tend to take the easier route of assigning higher-level job roles to younger foreign workers, rather than invest in training older local workers for these roles.³³

²⁸Josephine Teo, “Workfare and the Singapore approach to tackling wage inequality,” 7 November 2018, <https://www.mom.gov.sg/newsroom/press-replies/2018/1107-opinion-editorial-by-minister-josephine-teo-on-minimum-wage>. Data pertains to gross monthly income from work (excluding employer CPF) of full-time employed residents, deflated by Consumer Price Index for all items at 2019 prices (2019=100). Source: Comprehensive Labour Force Survey, MRSD, MOM.

²⁹Landscape workers are defined as park, garden & landscape maintenance workers (SSOC 9214) only. There has since been an update to the occupational grouping for landscape workers to include landscape & plant nursery supervisor (SSOC 61131) and gardeners & horticultural worker (SSOC 61133) which is covered under the PWM.

³⁰Josephine Teo, speech at the Debate on the President’s Address, 1 September 2020, <https://www.mom.gov.sg/newsroom/speeches/2020/0901-speech-by-minister-for-manpower-mrs-josephine-teo-at-the-debate-on-president-address>. The figure cited here includes landscape workers defined as park, garden & landscape maintenance workers (SSOC 9214) only. There has since been an update to the occupational grouping for landscape workers to include landscape & plant nursery supervisor (SSOC 61131) and gardeners & horticultural worker (SSOC 61133), who are also covered under the PWM.

³¹Shaharaj Ahmed, “A Contemporary Evaluation of the Progressive Wage Model,” Roosevelt Institute@Yale-NUS, 29 July 2021, <https://roosevelt.commons.yale-nus.edu.sg/2021/07/29/a-contemporary-evaluation-of-the-progressive-wage-model/>

³²Ng, Irene YH, Yi Ying Ng, and Poh Choo Lee. “Singapore’s Restructuring of Low-Wage Work: Have Cleaning Job Conditions Improved?” *The Economic and Labour Relations Review* 29, no. 3 (2018): 308–27. <https://doi.org/10.1177/1035304618782558>.

³³Linda Lim, “The Economic Case for a Minimum Wage: a Conversation with Linda Lim,” interview by Kwan Jin Yao, 25 July 2020, <https://www.academia.sg/academic-views/minimum-wage-conversation/>.

Questions were also raised about the coverage of PWM and the speed of implementation, particularly since negotiations among tripartite partners (viz. employers, unions and the government) were drawn out. One challenge was how to extend mandatory PWM to sectors and occupations where there were many employers and the government was not a major buyer, or where there were no existing licensing requirements.

In a Facebook post in July 2020, Workers' Party (WP) MP Assoc. Prof. Jamus Lim noted that there were still an estimated 100,000 locals who earned a salary below the WP's proposed minimum take-home pay of \$1,300 a month. It was subsequently clarified in Parliament that while about 100,000 workers earned below \$1,300 a month, a smaller number of resident workers – about 56,000 (including 52,000 citizens) – earned less than \$1,300 a month after factoring in the Workfare Income supplement and employer CPF contributions.³⁴

Of the approximately 52,000 Singapore citizens (30,000 full-time employees and 22,000 self-employed workers) earning below \$1,300 a month, more than a third were aged 50 and over, and about a third were aged between 15 to 24, comprising youths in vacation jobs.³⁵ About half lived in households with a household income per capita of more than \$1,300, suggesting that they were not primary breadwinners for their families.

³⁴Figures cited by NTUC's Deputy Secretary-General Dr Koh Poh Koon in October 2020. The figures cited are not based on take-home pay, for which it is necessary to subtract employee CPF contributions rather than add in employer CPF contributions.

³⁵Figures cited by Senior Minister of State (Manpower) Zaqu Mohamad on 3 November 2020 in response to Parliamentary Questions by Assoc. Prof. Jamus Lim and Liang Eng Hwa.

Rekindling the minimum wage debate

The challenges of inequality and social mobility featured prominently in public discourse in 2018, and calls for Singapore to adopt a minimum wage were rekindled with vigour. At an Institute of Policy Studies forum in October 2018, Ambassador-at-Large Professor Tommy Koh noted that Japan, South Korea and Taiwan had adopted a minimum wage without adverse consequences, reiterating the point he had made in a 2010 commentary.³⁶

The fixing of minimum wages is among the conventions adopted by the International Labour Organization (ILO), which notes that minimum wages exist in over 90% of ILO member states.³⁷ Among OECD economies, Luxembourg and Australia have the highest hourly minimum wage, at about US\$13.40 per hour in 2019, followed by New Zealand and France. Notably, Sweden and Denmark have not enacted statutory minimum wages, in keeping with their model of flexible

labour markets, while Norway has set minimum rates of pay only in certain sectors. Although Switzerland does not have a national minimum wage, certain cantons such as Geneva have introduced their own minimum wages. In countries without minimum wages, wages are typically set through collective bargaining agreements in various sectors.

Among economists, the empirical evidence on minimum wage has divided opinion. Card and Krueger reported minimal or non-existent negative employment effects of minimum wage increases.³⁸ Other scholars, like Neumark and Wascher, found instead that minimum wage increases had a dampening impact on employment or employment growth.³⁹ Over the years, however, the proportion of economists concerned about the employment impact of minimum wages has declined.⁴⁰

³⁶Tommy Koh, "Don't Knock Minimum Wage Yet," *Straits Times*, 11 November 2010.

³⁷<https://www.ilo.org/global/topics/wages/minimum-wages/definition/lang--en/index.htm>.

³⁸David Card and Alan Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, 84(4) (1994): 772-93.

³⁹David Neumark and William Wascher. "Employment Effects of Minimum Wages and Subminimum Wages: Panel Data on State Minimum Wage Laws." *Industrial and Labour Relations Review*, 46(1) (1992): 55 - 81.

⁴⁰In a 1978 survey, 90% of economists polled agreed that the minimum wage decreased employment among low-skilled workers (J.R. Kearl, Clayne Pope.; Gordon Whiting and Larry Wimmer, "A Confusion of Economists?" *American Economic Review* 69(2) (1979): 28-37). A similar survey of American Economic Association members in 2000 found that only 46% agreed with the statement in full, and another 28% agreed with provisos (Dan Fuller and Doris Geide-stevenson, "Consensus among Economists: Revisted," *Journal of Economics Education*, 34(4) (2003): 369-387.)

Meta studies that summarise the findings of a large number of individual studies have generally reported little or no negative employment effects on overall employment.⁴¹ However, a minimum wage increase may lead to non-wage adjustments to employment terms that affect workers, as well as decisions on capital investment that would reduce employment in the longer-term.⁴² While there is no longer a presumption that minimum wages lead to significant aggregate job losses, the employment impact on certain groups may be stronger, depending on the level at which the minimum wage is set. For instance, the OECD found that youth employment was likely to be negatively affected⁴³, while Cengiz et al. found evidence of reduced employment in tradeable sectors.⁴⁴

Factors that determine employment impact for specific economies, sectors, firms and job include labour market structure (i.e. whether it is more competitive or monopsonistic), firm production structure (i.e. whether firms are able to substitute machinery for labour), product market structure (i.e. whether firms are able to pass on costs to consumers) and macroeconomic conditions.

In Singapore, the government maintain that Progressive Wages and Workfare Income Supplement (WIS) are a better alternative to a minimum wage.

While WIS does not guarantee the take-home pay of workers, it has several advantages. First, it is more targeted than a minimum wage as it takes into account spousal income and property value, while excluding those under age 30.⁴⁵ By contrast, a minimum wage could boost the wages of students from well-to-do families on part-time or short-term employment. A wage supplement is also likely to increase labour supply and employment, whereas employees earning a minimum wage may risk retrenchment during a downturn if employers do not have the flexibility to adjust salaries downwards.

⁴¹ See, for instance, Marco Hafner et al., *The Impact of the National Minimum Wage on Employment: A Meta Analysis* (RAND Europe, 2017); Hristos Doucouliagos and T. D. Stanley, "Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis," *British Journal of Industrial Relations*, 47(2) (2009): 406 – 428.

⁴² Jeffrey Clemens, "Making Sense of the Minimum Wage: A Roadmap for Navigating Recent Research," *Policy Analysis No. 867* (Cato Institute, May 2019).

⁴³ OECD, "Employment Outlook," (2015), Chapter 1, 34 – 52.

⁴⁴ Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, "The effect of minimum wages on low-wage jobs," *The Quarterly Journal of Economics* 134(3) (2019): 1405 – 1454.

⁴⁵ It was announced during the 2021 National Day Rally that the qualifying age for WIS would be lowered to 30.

As the government bears the cost of WIS, it does not push up costs for businesses which could be passed on to consumers in price increases. WIS also supplements the pay of self-employed persons, who would not benefit from a minimum wage. Under Workfare, there is also support for training to help low-wage workers upskill and upgrade to better-paying jobs.

The characteristics of Singapore's labour force should also be taken into consideration.

There remain significant numbers of lower-educated and low-skilled seniors in the workforce, whose employment may be at risk

from a minimum wage.⁴⁶ Older people in Singapore, particularly 55-65 year-olds, had among the lowest scores in literacy and numeracy among countries that participated in the Survey of Adult Skills, part of the OECD Programme for the International Assessment of Adult Competencies (PIAAC).⁴⁷ Much depends on whether these older workers are willing and able to raise productivity and skills through retraining in order to stay employed.

⁴⁶Senior Minister Tharman noted, in a forum on jobs and skills at the Singapore Perspectives conference organised by the Institute of Policy Studies on 12 January 2021, that half of the bottom 10% of workers were above the age of 55, and of these, two-thirds did not complete secondary school.

⁴⁷Singapore participated in Round 2 of the survey in 2014 – 15. See OECD, *The Survey of Adult Skills: Reader's Companion, Third Edition* (OECD, 2019) and OECD country note on Singapore (<https://www.oecd.org/countries/singapore/Skills-Matter-Singapore.pdf>). The performance of older people in Singapore contrasts with that of 15 – 24 year-olds, who performed better than the OECD average in literacy, and had the highest average score among participating countries in numeracy.

Scaling up PWM

Notwithstanding WIS, many felt that more could be done to support lower-wage workers. Globalisation and technological change continued to exert upward pressure on inequality, which would have implications for social inclusion and social mobility, the foundations for a fair and inclusive society. A key concern was whether social mobility could be sustained, given the financial and other advantages which better-off parents could pass on to their children.

The question was whether PWM could play a larger role in lifting wages at the bottom.

One view was that mandatory PWM should not be extended beyond sectors prone to “cheap sourcing” and market failure. Some pointed to the heterogeneity of workers in some sectors and occupations, and the lack of suitable regulatory levers. They argued that voluntary PWM, accompanied by accreditation and government-led demand, would be more appropriate for such sectors. There also remained concerns that PWM would push up the cost of living across a range of essential services.

On the other hand, the PWM model was gaining traction as an alternative to a minimum wage. In public communications, the government and NTUC held up PWM as a sector-based

“Minimum Wage Plus” with the advantages of sectoral customisation, as well as career and income pathways that provided for progression beyond a wage floor. However, as mandatory PWM covered only about a tenth of full-time workers (about 28,000) in the bottom 20% of the wage distribution,⁴⁸ it would need to be much more pervasive to benefit the bulk of lower-wage workers. NTUC thus set about identifying other sectors where PWM could be applied.

In 2018, the government accepted the recommendations of the Lift and Escalator Sectoral Tripartite Committee to introduce PWM in the lift and escalator industry, to help address manpower challenges amid increasing demand for lift maintenance services. This was an expansion of the PWM’s scope as most lift and escalator technicians had incomes above the bottom 20%. From 2019, government agencies took the lead by only awarding lift maintenance tenders to firms that had adopted the PWM. Mandatory PWM for the lift industry was implemented in 2022, and extended to escalator maintenance technicians as well.

⁴⁸Tripartite Workgroup on Lower-Wage Workers, *Progress through Solidarity and Dynamism*, Tripartite Workgroup report, August 2021, 70, <https://www.mom.gov.sg/-/media/mom/documents/employment-practices/lww/tripartite-workgroup-on-lower-wage-workers-report.pdf>.

In 2020, the government announced that it would identify more sectors where PWM could be implemented, such as the waste management industry. To begin with, PWM would be extended to up to 3,000 local workers in the waste management sector, a further 50,000 in-house cleaners, security and landscape maintenance workers, and up to 80,000 local workers in food services and retail.⁴⁹

Among minimum wage advocates, some saw no contradiction in stacking PWM atop a minimum wage, so that workers could benefit from career and wage progression pathways, while placing an immediate floor on wages throughout the economy.⁵⁰

⁴⁹ Zaqy Mohamad, speech at Ministry of Manpower Committee of Supply Debate, 3 March 2021.

⁵⁰ For instance, Ravi Menon, Managing Director of the Monetary Authority of Singapore, commented that the minimum wage could be seen as a complement to PWM in his Institute of Policy Studies - S.R. Nathan lecture on 22 July 2021.

PWM 2.0 – Pervasive implementation of progressive wages

While the government announced in 2020 that PWM would be expanded significantly, details remained to be worked out. A Tripartite Workgroup on Lower-Wage Workers, chaired by Senior Minister of State (Manpower) Zaqy Mohamad, was convened in October 2020, with aims that included significantly increasing the number of workers covered under PWM, and ensuring that wage growth in mandatory PWM sectors continued to outpace median wage growth.

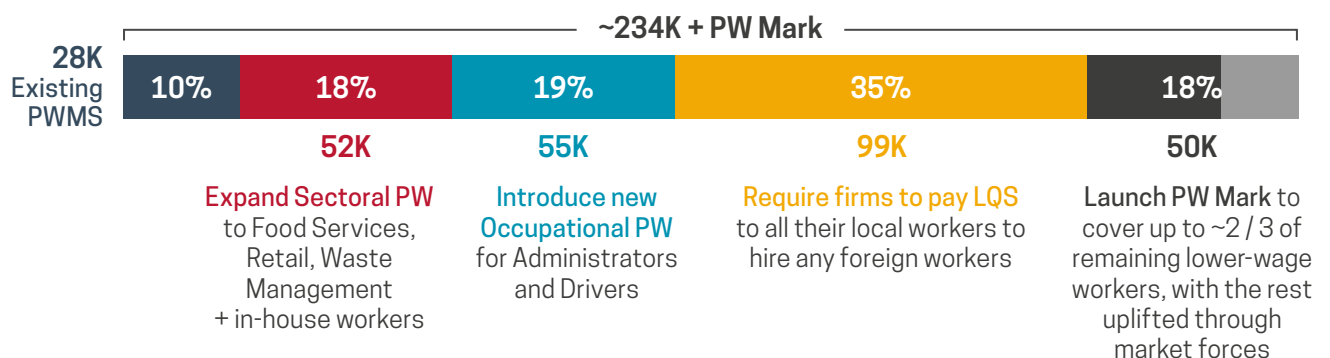
At the 2021 National Day Rally, Prime Minister Lee Hsien Loong announced that the government would accept all 18 recommendations of the tripartite workgroup.⁵¹ This entailed the expansion of Progressive Wages to cover over

9 in 10 lower-wage local workers. PWM would be extended to more sectors, including retail, food services and waste management. It would also cover specific occupations across all sectors, beginning with administrative assistants and drivers.

Obtaining tripartite consensus on wage increases would minimise the risk of job losses, although this is often a long-drawn process. To extend the benefits of a wage floor quickly to sectors and occupations without tripartite-backed wage ladders, all firms hiring foreign workers will be required to pay every local worker at least \$1,400 from 1 September 2022 (see Exhibit 3).

Exhibit 3: Expansion of Progressive Wages

Progressive Wages to cover up to 94% of full-time lower-wage workers



Source: Tripartite Workgroup on Lower-Wage Workers, *Progress through Solidarity and Dynamism* (2021).

⁵¹ Tripartite Workgroup, *Progress through Solidarity and Dynamism*.

As many firms hire foreign workers, this provides the government with the means of uplifting lower-wage workers widely. For sectors and occupations that have yet to develop tripartite-backed wage ladders, imposing a wage floor – the “Local Qualifying Salary” – for all local workers as a prerequisite for foreign worker access is a practical way forward.

It is estimated that 82% of lower-wage employees will be covered under the latest expansion of PWM and the Local Qualifying Salary requirement. Of the remaining 50,000 lower-wage workers, the vast majority are employed in firms with fewer than 10 workers. These include small family operations such as hawker stalls and heartland stores. In other countries such as the UK and US, such small businesses or family employees are similarly exempted from minimum wage requirements.

Of the lower-wage workers not covered by mandatory PWM, about two-thirds work in companies eligible for the new Progressive Wage Mark (PW Mark) accreditation, which the public sector will require its suppliers to adopt. According to MOM, the PW Mark could raise coverage of Progressive Wages to 94%, with the balance likely to benefit from spillover effects through market forces.

The concerns about a minimum wage in Singapore’s context, including employment risk to older workers, apply to the PWM. However, the tripartite consensus (where applicable) among government, employers and unions, along with customisation at the sector level, affords some assurance against local job losses.⁵²

Felix Loh noted that with the extension of progressive wages to occupations such as administrators and drivers, the National Wages Council plays a critical role in developing wage recommendations since industry associations may not be in the best position to develop wage recommendations that span different sectors.⁵³

Significantly, the tripartite workgroup recognised that wage growth could not be strictly tied to an individual worker’s industriousness and skills. It noted that a worker’s productivity also depends on a firm’s “operations and methods of work”, and that wages at the bottom were also “a reflection of how society perceives the value and worth of these jobs”.⁵⁴ This means that in jobs with limited scope for productivity and skills improvement, wages must still rise to close the gap to the median. Notwithstanding this, the government would make every effort to support productivity growth at both the employee and firm level.

⁵² Terence Ho, “PWM 2.0: A Step Closer to a More Inclusive Society,” *Straits Times*, 1 September 2021.

⁵³ Loh, 2023.

⁵⁴ Tripartite Workgroup, *Progress through Solidarity and Dynamism*, 7.

The implication is that PWM would lead to higher costs which businesses may pass on, at least in part, to consumers. While the impact can be mitigated by higher productivity and better service, a whole-of-society consensus is needed on the value of a more equitable and inclusive society. This will permeate consumer decisions on spending, business decisions on hiring and people development, and government decisions that balance economic and social objectives.

Encouragingly, a survey conducted in June 2020 by The Straits Times found that more than 8 in 10 Singaporeans were willing to pay more for essential services such as cleaning and waste management if they knew the extra money was going to the workers. They were willing to pay 10-20% more for such services. This may have been influenced by the COVID-19 outbreak, with 73% of respondents indicating they “respect essential workers more now”.⁵⁵

In an online survey by the Ministry of Communications and Information in January 2021, 39% of respondents agreed that they were willing to pay more to support low wage workers, with 42% remaining neutral.⁵⁶

In line with the recommendations of the tripartite workgroup, the government will provide transitional support for employers through a new Progressive Wage Credit Scheme announced in Budget 2022. The wages of local lower-wage workers will be co-funded for five years, with support progressively tapered from up to 75% in 2022 and 2023, to 15% in 2026.

⁵⁵ Janice Tai, “8 in 10 Singaporeans Willing to Pay More for Essential Services: Survey,” *Straits Times*, 14 June 2020.

⁵⁶ Lean Jinghui, “Firms Hiring Foreigners to Pay All Singaporean Workers a Salary of at Least \$1,400 from 1 Sep 2022,” *Mothership*, 30 August 2021, <https://mothership.sg/2021/08/minimum-local-salary-1400/>.

Improving working conditions and job image

In tandem with PWM, efforts have been made to improve working conditions in the PWM sectors, as well as to improve the image of jobs in these sectors. These included, among other things, providing uniforms and better equipment for workers. In 2015, then Minister for Manpower Lim Swee Say emphasised the need to make jobs “easier, safer and smarter” for lower-wage workers.⁵⁷

As part of the Ministry of Manpower (MOM) Workcare programme, MOM and tripartite partners released a Tripartite Advisory on Provision of Rest Areas for Outsourced Workers in 2019. This advisory spells out recommendations for employee rest areas which should be located in safe, private and accessible areas out of public view.

Under a new Workcare grant launched in 2021, companies can receive up to \$8,000 in grants to offset the cost of creating a new rest area for outsourced workers. The \$1 million Workcare Grant is expected to benefit more than 2,000 outsourced essential services workers such as cleaners and security officers.

Per the recommendations of the Tripartite Workgroup on Lower-Wage Workers, released in 2021, a Tripartite Standard on Advancing Lower-Wage Workers’ Well-Being has been introduced to help more firms adopt and implement the specified practices, and be publicly recognised for doing so.⁵⁸

To mobilise societal support for lower-wage workers, the tripartite workgroup launched an Alliance for Action for Lower-Wage Workers, bringing together stakeholders from the Labour Movement, business sector and community organisations to develop ground-up projects in the following areas:⁵⁹

- Strengthen respect and appreciation from the public
- Encourage supporting working environments
- Increase support for upskilling
- Strengthen societal support for progressive wages

⁵⁷Lim Yi Han, “More Needs to Be Done to Make Jobs Better for Low-Wage Workers: Lim Swee Say,” *Straits Times*, 30 May 2015, <https://www.straitstimes.com/singapore/more-needs-to-be-done-to-make-jobs-better-for-low-wage-workers-lim-swee-say>.

⁵⁸Tripartite Workgroup, *Progress through Solidarity and Dynamism*, 59.

⁵⁹*Ibid.*, 63.

Conclusion

PWM provides a framework for sustained wage increases for lower-wage workers in tandem with skills, productivity and job responsibilities. Its design and implementation owe much to tripartite efforts, building on strong trust and many years of successful collaboration among tripartite partners on a range of labor issues.

PWM ladders require continual updating by tripartite partners within each sector. Consensus has already been reached on planned wage increases up to 2028 in the cleaning, security, landscape and lift and escalator maintenance sectors. The basic wage for a general cleaner is set to increase by a cumulative 84% between 2022 and 2028, while that for a security officer

will more than double from S\$1,650 in 2023 to S\$3,530 by 2028. The expansion of Progressive Wages to cover over nine in 10 lower-wage workers has made it a national programme, complementing WIS, to support lower-wage workers and narrow the income gap.

The continued evolution and progress of the PWM is critical to Singapore's efforts to narrow wage differentials across sectors and occupations, and build an inclusive workforce that values every worker. Making this transition will require stakeholders across society to rally behind the goal of improving jobs and wages for a more inclusive society.

Discussion questions

1. How did Singapore's brand of tripartism help to shape the design and implementation of PWM?
2. Can PWM be replicated in other countries where labour relations may be different? What are the key factors needed for PWM to be feasible?
3. What is the likely impact of PWM on workers, households and businesses (consider different groups)? Are stakeholders prepared to accept higher costs arising from higher wages, and what role could the tripartite partners play to ease the transition?
4. How might PWM affect economic competitiveness and social cohesion? Do you see a tradeoff between these objectives, or are they mutually reinforcing?
5. Beyond PWM, what more should be done to support lower-wage workers (e.g. in terms of wages, working conditions or other aspects of employment) and what role can tripartism play?

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- Dr Tommy Lin, Deputy Director, NTUC
- Mr Felix Loh, Deputy Honorary Secretary (SNEF), CEO of Gardens by the Bay (2018 - present) and Co-Chairs of Tripartite Cluster for Waste Management, and Landscape Industry
- Mr Zainal Sapari, Assistant Director-General of NTUC (2011 to present), and Advisor, PWM Implementation, Former Chairman of Tripartite Cluster for Cleaners, Landscape Industry, Lift and Escalator Industry

ABOUT THE TRIPARTITE COLLECTIVE (TC)

Jointly set up by the tripartite partners, Ministry of Manpower (MOM), National Trades Union Congress (NTUC), and the Singapore National Employers Federation (SNEF), the Tripartite Collective (TC) aims to strengthen the spirit of tripartism in the community by fostering trust and socialising stakeholders to the values and benefits of tripartism. The TC will bring together members from the tripartite community, academic, legal and media communities to exchange views and ideas on issues faced by employees and employers. Through such exchanges, the TC seeks to build relationships and develop capabilities within the community to further the development of progressive workplaces. To achieve these outcomes, the TC will commission research studies, conduct open dialogues and sharing sessions, and organise capability development programmes.

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