

A Living Wage for Singapore

By NG KOK HOE and TEO YOU YENN



A living wage is a matter of justice. Is it time for us to consider this seriously in Singapore? If so, how much should a living wage be?

The idea of a living wage is built on a simple premise: workers should be paid wages that allow a decent standard of living. Since workers live alongside other members of society – cooperating and competing across many areas of life – this standard must reflect the particular time and place in which the workers live, and not be based on arbitrary comparisons with the past or other societies with less means.

In other words, what constitutes a “decent” standard of living? This has to reflect existing societal norms. In developed economies, a basic standard of living today must extend beyond survival needs such as food, clothing and shelter. It should also include things like education, healthcare, transport and social participation. As early as 1936, Franklin Roosevelt had observed that a decent standard of living is

“a living which gives man not only enough to live by, but something to live for”.

Why a living wage

There are many practical arguments for a living wage.

From a macroeconomic perspective, the ready availability of low-wage labour discourages investment in capital and technology – the ingredients of productivity. Suppressed wages over time can lead to low productivity growth and sluggishness in innovation. For individual businesses, offering adequate wages can help reduce labour shortage, turnover and the related costs of hiring and training.

When workers are paid decently, they have a greater capacity to save and build up a financial buffer for their households. This buffer is a source of resilience during family emergencies

and economic shocks. There are societal benefits insofar as it also gives people the freedom and security to take risks, such as pausing work for training; setting up a small business; or starting a family. Parents who are paid adequately are better able to provide a supportive environment for their children, physically and emotionally. Decent wages help to reduce extreme income inequality that threatens political stability and social peace.

Paying workers a living wage is a matter of social justice. Since economic production is always cumulative (over time) and collective (among people), it is fair that its rewards are as widely and evenly shared as possible.

In the international community, a living wage is recognised as a basic right. Article 23 of the United Nations Universal Declaration of Human Rights states that “Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity”. Similarly, the preamble to the International Labour Organization’s (ILO) constitution lists “the provision of an adequate living wage” as a measure for delivering social justice and “universal and lasting peace”.

Legalising a minimum wage

Globally, paying workers a decent wage is neither abstract nor radical. The majority of countries around the world have a legal minimum wage.

In Mexico, Namibia, and India, this is written into their national constitutions. In the UK, the Living Wage Foundation promotes a voluntary living wage that more than 7,000 businesses have signed up to, covering more than 250,000 workers between them. This is on top of a legal

(and lower) minimum wage that aims to balance poverty avoidance with sustaining employment levels. Many businesses – such as Clarks, Marks & Spencer, and Gap – have also adopted the principle of paying a minimum or living wage that allows workers to meet their basic needs.

To date, Singapore does not have a legal minimum wage or recognise a living wage. Although the Progressive Wage Model (PWM) has lifted the wages of some workers in targeted sectors, it still covers only 10 per cent of low-wage workers seven years after its introduction.

Wage inequality remains a problem. The gap between wages at the bottom of the distribution and the median is wider here than in other advanced economies. From 2015 to 2020, work income per household member grew faster for higher income groups.

In 2020, year one of the pandemic, work income fell by 6.1 per cent for the lowest income decile group, compared to 2.3 per cent for the top 10 per cent of households. There is already a strong consensus in social science research that the economic impact and health risks of Covid-19 have fallen disproportionately on poorer households. When Singapore’s Tripartite Workgroup on Lower-Wage Workers released their report in 2021, they too recognised that “the Covid-19 pandemic has shone the spotlight on the essential nature of their work, as well as their precarity”.

It is time to consider a living wage in the Singapore context.

Calculating a living wage

Although there are variations, the core method for calculating a living wage has three steps:

- The first is to define what standard of living the living wage should enable and what this will cost. Different approaches vary in terms of how far they draw on experts or public consensus to establish the definition and costs.
- The second step is to decide what types of households to take into account and the assumptions about their working patterns. In some instances, living wages are based on the needs of a few stylised, or the most common, household types. In other cases, calculations consider a wider range of household types and their actual distribution among the population. In absolute amounts, larger households will, of course, have greater needs. The assumed number of working persons in the household and their total work hours affect the amount of wages that each hour of work must generate in order to cover household costs. The lower the assumed amount of work, the higher the hourly wage rate needs to be.
- Finally, decisions must be made about what policies (i.e. taxes and benefits) to incorporate, how and when to update these rates, and whether to allow variations across geographical regions that have different costs of living.

Since 2017, a joint university research team has studied what members of the Singapore public think constitute basic needs in our society and how much it costs to meet these needs. We adopt the Minimum Income Standard (MIS) approach to do this. The method has also been used by researchers in France, the Republic of Ireland, Mexico, Portugal, South Africa, Thailand and Japan.

Minimum Income Standard

The MIS method relies on consensual focus groups where participants from diverse

backgrounds discuss and agree on the items that qualify as basic needs. We then find out the prices of these items in shops can calculate the total monthly household budgets needed for different household configurations.

This approach produces results that reflect the lived realities and ordinary habits of people living in contemporary Singapore. It captures the diverse and evolving needs for people at various stages of life and in varying household arrangements. It also embodies the values and principles that ordinary Singaporeans identify with. In addition, it identifies concrete items and precise budgets that map onto those values and principles.

In our latest MIS study report, released in November 2021, we established what budgets different types of households – made up of single or partnered parents with one to three children up to the age of 25 years old – need for a basic standard of living in Singapore. These household budgets were then converted into a living wage level (see box, “Converting MIS Household Budgets to a Living Wage Level”).

For the living wage calculations, the study focused on households with two adults and two children in contiguous age bands because this is a typical household type in our society. In 2020, the average number of children born to Resident (i.e. citizen and permanent resident) “ever-married” women was 2.0. It is also an important household type because it comes close to the replacement-level fertility rate of 2.1 that is a major concern of national population policy.

Based on the budgets for this household type, assuming both parents work full-time and after accounting for taxes and major benefits, it was

Converting MIS Household Budgets to a Living Wage Level

Monthly amounts, S\$	Two children (below 2yrs; 2–6yrs)	Two children (2–6yrs; 7–12yrs)	Two children (7–12yrs; 13–18 yrs)
Household budgets for a basic standard of living	6,167	6,253	6,426
Household work income needed to reach budgets after taxes and transfers	5,224	5,810	6,400
Work income needed per working parent	2,612	2,905	3,200
Living wage (average)	2,906		

determined that each working parent needs to earn a living wage of S\$2,906 per month, or a gross wage of S\$2,484 if we leave out employer CPF contributions.

Any living wage, since it is a single wage level that applies to all workers regardless of what households they live in, will produce household incomes that are more than what some households need (e.g. smaller households), and less than what others require (e.g. larger households or those with special needs). The exact assumptions and compromises that are acceptable when determining a living wage is a matter for public deliberation.

For Singapore, such deliberations may eventually result in a different figure from the one presented

here. But S\$2,906 is a good starting point for these discussions and a reasonable target for focusing our attention when we think about paying wages that allow a decent standard of living in Singapore today. In 2020, the actual median work income among all workers already exceeded this amount by 56 per cent.

Overcoming Singapore's low wage problem

Considering the persistence of Singapore's low wage problem, and its intensification during the economic rupture of the past two years, the wage reforms announced at the National Day Rally 2021 are much needed. In the coming years, the PWM will be extended to more sectors and occupations, with the aim of covering almost half of all low-wage workers.

Along with an expanded Local Qualifying Salary regime and a Progressive Wage Mark, these reforms hope to lift the incomes of 9 in 10 low-wage workers. But current Progressive Wage levels are far too low. Compared to the living wage level derived from our research on what households need for a basic standard of living, current PWM wage levels are 38 to 49 per cent short.

Policymakers have expressed the ambition that baseline Progressive Wage growth should outstrip median wage growth over the next decade. However, according to current PWM wage schedules, only security workers will clear the living wage threshold by 2028, while cleaners and landscape workers will still fall short.

The necessity of wage work is institutionalised through many public policies in Singapore. The Central Provident Fund channels savings from work income towards our housing and retirement needs. Mothers must work to qualify for more generous childcare subsidies. Low-income persons must demonstrate job-seeking activity to receive financial assistance. Work participation has been key to Singapore's economic development and a core component of our social contract – the agreement between the people and the state about our mutual rights and responsibilities for securing social welfare. Indeed, Singapore society is often said to be founded on hard work.

Through our research, we saw that Singaporeans do indeed see wage work as a crucial part of their lives and a key component of life in contemporary Singapore. They are committed to this social contract and value the dignity and worth that come from providing for themselves and their families. Yet, across socioeconomic lines, they also expressed worries about rising costs of living and

their long-term capacity for meeting basic needs. Significantly, they worried that there are people in our society who are unable to make enough.

In a society where wage work occupies a central place, and where research participants are able to come to a consensus on basic needs that all Singaporeans should be able to meet, we must step up discussions of a living wage that can help ensure a basic standard of living.

According to our participants – ordinary Singaporeans from diverse gender, socioeconomic, and ethnic backgrounds – a basic standard of living is “about, but more than, just housing, food, and clothing. It is about having opportunities to education, employment and work-life balance, as well as access to healthcare. It enables a sense of belonging, respect, security and independence. It also includes choices to participate in social activities, and the freedom to engage in one's cultural and religious practices”.

Ensuring that everyone in our society can meet basic needs is not an easy task. It requires the labour and commitment of many stakeholders – the government, civil society, employers and individual citizens. There are different instruments available to do this. Taking seriously and pursuing a living wage is one important and powerful means for achieving basic standards of living for all members of society. ■

Ng Kok Hoe is Senior Research Fellow and Head of the Case Study Unit at the Lee Kuan Yew School of Public Policy, National University of Singapore. Teo You Yenn is Associate Professor, Provost's Chair, and Head of Sociology at Nanyang Technological University. This commentary draws from “What people need in Singapore: A household budgets study” (2021) co-authored with Neo Yu Wei, Ad Maulod, Stephanie Chok, and Wong Yee Lok.