

DISCOVER YAHOO! WITH YOUR FRIENDS[Login](#)[Learn more](#)

'Shock therapy' economist urges NWC to call for more wage increases

YAHOO! NEWS By Jeanette Tan | Yahoo! Newsroom – 1 hour 38 minutes ago

An economist who earlier called for a [drastic hike in salaries](#) of low-income workers in Singapore has urged the country's wage council to continue battling for quantitative increases in the workers' monthly pay for the next two years.

Speaking on Thursday morning before an audience of 200 people at the annual Singapore Economic Policy Forum, former [National Wages Council](#) (NWC) chairperson and Nanyang Technological University economics professor [Lim Chong Yah](#) commended the tripartite body's recommendation that workers getting below \$1,000 a month get a \$50-hike in their salaries.

"That (the \$50 NWC increment) is a very good move, and that might reduce the number of people having very, very low income," he told reporters at the sidelines of the forum. "We don't need big changes, we just need to have recommendations to increase the wages of the lowest income group in Singapore systematically over the next few years."

He also said that should monthly wages remain low, say below \$1,000, a compulsory minimum wage should be implemented to pull Singapore's lowest salaries up.

In his set of proposals he titled "Shock Therapy II", Lim also again pressed for a three-year freeze on the country's highest salaries.

Earlier this year, Lim's proposed "[shock therapy](#)" to address the country's widening income gap. He had urged the raising of salaries of workers earning less than \$1,500 by 50 per cent over three years while imposing a moratorium on the country's highest wages during the same time.

On Thursday, he said his latest proposals would work better than increasing government transfers and allowing salaries to rise to what he calls "exorbitant, unconscionable" levels, which he believes would make Singapore's economy uncompetitive.

"If we all expect the government to do this, to do that, so much transfers to help the poor, needy and low-income groups, where does the government get the money? Through taxes. (But) you see if you raise taxes too high, you affect our competitiveness," he said, citing reasons such as having a small labour market, a lack of natural resources and the increased risk of inflation arising from overcrowding.

As for the moratorium, Lim said it would be imposed more as a psychological measure to prevent all of the wages at the highest echelons of the private sector from rising together.

"If the top level wages go up, they pull people linked to them up and in the long run, we become an uncompetitive economy," he added.

Might the proverbial golden goose (of our local top talent) flee the country in that scenario? Lim doubts so.

“There is no fear they will emigrate or run away just because there is a freeze or kind of moratorium... I doubt very much. But if the alternative is to have higher and higher taxes, that might frighten them away,” he said.

To make this plan happen without causing excessive inflation, Lim said it has to be “properly handled, carefully implemented and spread over three years”.

He added that his aim was to ensure that companies take part in active restructuring, using better technology and mechanisation and reducing their dependence on cheap foreign labour, in particular manual labour, failing which profit margins could decline.

“I hope that the main impact will be on restructuring and another impact, probably this is not so desirable, on the margin of profit... profit levels in some cases will be lower,” he said.

Explaining why he now included the provision of a \$1,000 minimum wage scheme in his proposal, Lim said it should be used as a last resort.

“Let us work on the policy of raising the pay... of the lowest income groups, the tail end, first,” he said.

Why \$1,000? Lim says it appears to be a good figure, coming in at about a third of the minimum wage in neighbouring Malaysia, and a quarter of that in Australia.

“Besides that, (that amount) has been used by NTUC, by NWC as a benchmark, below which they say that wages should go up by at least \$50, so it's a good, nice figure and I think that's about right, the \$1,000 figure,” he said, qualifying that should inflationary pressures become too high, the figure may have to be adjusted further in the future.