Shock Therapy II

Co-organized by Economic Society of Singapore and
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Shock Therapy

- Public lecture in April 2012 – “A Proposal for Economic Restructuring II”
- “Shock Therapy” for the first economic restructuring exercise (1979-1981)
- Vigorous public debate on “Shock Therapy”
Proposal for Shock Therapy II

- Worsening Gini Coefficient
  - 0.422 in 1980 → 0.454 in 2001 → 0.473 in 2011

- Worsening Wage/GDP ratio
  - 46% in 2001 → 42% in 2010

- Government numerous attempts to lower ex-post Gini Coefficient
  - Workfare Income Supplement Scheme
  - GST Voucher Scheme
Two Extremes; Two-Part Proposal

- Unsettling upward escalation of pay for top income group
- Stagnant or declining pay for lowest income group

Two-part Proposal:

1. Wage increases for very low-wage workers
2. Three-year pause for highest income group
NWC’s and Government’s Stand

- NWC recommended in May 2012 wage increase of at least $50 a month for workers earning below $1,000 a month
- Proposal from NTUC
- Cabinet endorsed NWC’s recommendation
- First quantitative guideline by NWC after many years
Three Year Moratorium

- Lack of public interest on unconscionable pay in the private sector
- Competitive and interactive escalation of top salaries could make Singapore internationally uncompetitive
Recession or Inflation

- Recession – cut, not just pause, of wages of top income earners

- Inflation – higher wage increase for low income workers and pause for top group
Minimum Wage Proposal

- Submitted a memorandum to NWC in 1972
- All three social partners disagreed
- Professor Milton Friedman on no minimum wage
Shock Therapy & Economic Restructuring

- One year exercise no impact on economic restructuring
- NWC’s quantitative guideline on wages of low-wage workers to continue for the next two years
## Minimum Wage: $1,000 per month or $5.25 per hour

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum Wage Per Hour</th>
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<tbody>
<tr>
<td>Australia</td>
<td>A$15.96 (≈S$20.10)</td>
<td>&gt;</td>
</tr>
<tr>
<td>France</td>
<td>€9.40 (≈S$14.95)</td>
<td>&gt;</td>
</tr>
<tr>
<td>Japan</td>
<td>¥744 (≈S$11.70)</td>
<td>&gt;</td>
</tr>
<tr>
<td>South Korea</td>
<td>4,860 won (≈S$5.40)</td>
<td>≈</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>HK$28 (≈S$4.40)</td>
<td>&lt;</td>
</tr>
<tr>
<td>Taiwan</td>
<td>NT$103 (≈S$4.33)</td>
<td>&lt;</td>
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<tr>
<td>Malaysia</td>
<td>RM800/RM900 per month (≈S$322/S$362)</td>
<td>&lt;</td>
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</tbody>
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Productivity Concepts

- National productivity and country
- Company productivity and profitability
- Personal productivity and human resource management
Three Proposals Restated

To speed up economic restructuring and to stop the further aggravation in income inequality:

1. NWC should continue for the next two years with quantitative wage increase guideline for those earning less than $1,000–$1,500 a month.

2. NWC should call for a three-year moratorium of salaries of very top executives both in the private and public sectors.

3. To introduce a compulsory minimum wage scheme with, say, $1,000 a month, as a last resort.
Q and A

Thank you