DPM Lawrence Wong at IPS Singapore Perspectives 2023

Speech by Lawrence Wong, Deputy Prime Minister and Minister for Finance at IPS Singapore Perspectives 2023.

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Deputy Prime Minister and Minister for Finance Lawrence Wong and moderator Debra Soon, Group Head of Brand, Communications and Marketing at Singlife with Aviva.

Introduction

It’s very good to have this opportunity to join all of you today for this session of IPS Singapore Perspectives. Work is a very timely theme for this year’s Singapore Perspectives. Because work is not just a source of income. It’s also about dignity and purpose in life. And it’s crucial to our social compact. It’s central to our system of meritocracy, where we want every citizen to progress and excel, regardless of their start point in life.

That’s why promoting work has been such a key part of the Government’s economic

and social policies. A healthy labour market has long been the foundation for inclusive growth and shared prosperity in Singapore. But as our external environment and as the nature of work itself evolves, so will our challenges. Today, I thought I would share with you three such challenges, and also offer a few ideas on how we intend to tackle them.

Challenges

The first challenge is the future of work. We all know that we are living in a period of change, where technological advancements are disrupting industries everywhere. I don't believe that this will drive us towards a jobless future, a dystopian future that some people talked about. I don't think that will happen because, in Singapore as well as in many other advanced economies, there are still more job openings than workers to fill, and robotics and automation will help to fill these gaps. But the nature of jobs will change.

In fact, this is already happening. Most of today's jobs didn't exist 30 years ago. Likewise, 30 years from now, there will be new jobs sprouting from scientific and technological progress.

And the thing is that not everyone will be able to benefit equally from these technological changes. Those with the right skills will be able to seize the opportunities, and enjoy tremendous rewards. While those who are unable to adjust and adapt will certainly face more challenges.

Naturally this will create anxieties, especially among older, mid-career workers. They are at greater risk of career disruption, as their skills will be less 'current' by definition. And the fear of being made obsolete is very real for them. It can also be daunting for mid- careers to have to switch to a new field, and start from scratch with uncertain prospects. And that's why we will need to review our policies and strengthen our institutions to ensure that work remains a central way for Singaporeans to thrive.

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The second challenge is the security of work, particularly with regards to retirement security. In Singapore, we have the CPF system – it is premised on self-reliance and work, and funded by contributions from workers themselves, as well as their employers. The CPF provides for retirement in a sustainable way. We have avoided the pitfalls of defined benefit pension systems in many other places, where falling birth rates and rising longevity have made it harder for governments to support their citizens' retirement needs in a financially sustainable manner.

At the same time, we have not kept our CPF system where it was. We have it over the years. In particular, the Government has increasingly played a larger role in recent years to help Singaporeans earn and save for retirement. For example, we now provide more interest for those with lower CPF balances. We uplifted the incomes of lower-wage workers through Workfare and the Progressive Wage Model, and we introduced Silver Support to supplement the retirement income of seniors who had low incomes in their working years. But with more disruptions and volatility expected in our economy and our lives, Singaporeans will find it harder to consistently build up their CPF savings. So here again we must consider what we can do together to help Singaporeans better meet their retirement needs.

The third challenge is the challenge around the reward of work – how can we make rewards fairer and more equitable. So far again, we have been doing well in the sense that we have been able to sustain income growth across different segments of the workforce, with lower-income groups enjoying higher real wage growth than the middle-income, or higher income for that matter. And this is why income inequality in Singapore (as measured by the Gini coefficient) has been steadily coming down over the last decade. But again, we can do better in several areas. For example, we know that the median starting salary for university graduates is about twice that of ITE graduates, and 1.5 times that of polytechnic graduates. And while some difference is understandable, too wide a gap can lead to problematic outcomes. For example, some may choose not to enter vocations they have been trained for, or may feel pressured to pursue a degree, just to get the credentials, even if it is not aligned with their strengths or interests. It also becomes harder to match the right persons with the right skills to the right jobs. And all this compounds the sense of a continuous rat race and paper chase, adding to the worries and anxieties of Singaporeans.

Left unaddressed, all of these challenges which I've outlined briefly can adversely impact our social compact. We've seen this happen in many other places – when

workers find themselves left behind, or they feel that the system is unfair, resentment sets in, and social cohesion starts to fray. In fact, we've heard similar concerns around the issues I outlined just now in our Forward Singapore conversations, and also at NTUC's conversations with workers. And that's why the Government has been studying what we can do to address the concerns, and to strengthen our social compact. Today, I will share some preliminary thoughts with you on what we are thinking about, and I look forward certainly to hearing your views and perspectives later at the dialogue.

> Every industry must relook its skills ladder, and invest in ways to attract, retain, and reward their workers. This is not just about reshaping the labour market; it is also about shifting our perceptions towards work, and embracing a broader definition of what counts as 'good jobs'…

Strategies

First, we will need to redouble our investments in skills and human capital. We started on this journey with SkillsFuture a few years ago. We've made a lot of progress since then, but there's still much more that needs to be done. In particular, we must strengthen adult skills training and improve pathways to better jobs, and this must form a core pillar of our refreshed social compact.

Because we know that these days, most workers will have multiple careers in their lifetimes; even in the rare case of somebody working in the same company throughout their lives, the work they do will likely evolve over time. That means workers must be able to access skills training to update themselves and stay relevant. And this is not just about undergoing a half-day orientation course, but really going through substantive training that could last a few days or even weeks. Unfortunately, we all know, even from our personal experience, that it's not easy for people to enrol in such meaningful and substantial training. Employers may not support the training programmes; or even if employers say that they will allow their workers to attend, they may not pay the salaries of the workers during the period of training. Not surprisingly, mid-career workers, many of whom need to take care of both elderly parents and children, find it difficult to commit to such training. Workers who are displaced from their jobs face even more acute challenges – some may need to switch to a new field altogether, but they find it difficult to go for

training when they are unemployed and still have families to support. So they may end up just taking the first job available, even if it is not a good fit for them, which is not ideal. We will therefore need to consider how we strengthen our skills and training eco-system – to provide more support for workers, give them a fresh injection of skills, and help them be better prepared for the transition to jobs in new growth areas. We have to be careful in thinking about this, so that it does not erode the incentive to work. Because we've seen the results of unemployment benefits offered in other places where displaced workers receive generous benefits, but they then find it more attractive to stay unemployed than to get back into the workforce. We want to avoid these sorts of negative outcomes. And that's why what we really should be thinking about is more like re-employment support, rather than unemployment support. It is about re-employment support. Providing some form of financial cushion to workers, while enabling them to upgrade their skills. And helping to place them in new roles that best fits their abilities and aptitudes. We will also have to consider other parts of the eco-system. It is not just about what the Government does. There are other important pieces that we need to look at. We need employers to step up–to invest in the training of their workers, and to encourage more training that leads to recognised, verifiable credentials. We need more innovative training programmes, including work-based learning options. These will need to be curated and vetted, to ensure they can lead to better employment and earnings outcomes. We need to improve labour market information and strengthen labour market intermediaries, so that there can be better matching of jobs and workers.

In fact, we also want to provide workers with easy access to their own data on their skills and competencies, as well as the areas of future industry demand and growth, so that workers can be empowered and take greater responsibility to plan their own careers. These are major changes which we are thinking about to take our SkillsFuture eco-system to the next level, and to strengthen our system of lifelong learning and training. So that's one big area that we are applying our minds on, and we will be reviewing and seeing what more changes and improvements we can do.

The second broad strategy is to think how best to bolster retirement security, and assure Singaporeans that they can meet their basic needs in retirement. Here we have to understand that the circumstances are different for different cohorts. The Pioneer and Merdeka Generations are mostly retired. They have contributed invaluably to building today's Singapore. But they did not benefit fully from the

more recent enhancements to our CPF system. That's why we have rolled out substantial Pioneer Generation and Merdeka Generation Packages to support them. We will continue to review ways we can take care of their needs and complement their family support. Then if you go to the next cohort, you are talking about those in their 50s and early 60s today. We have also put in place various measures to boost their employability and their CPF savings. But they too have limited runway to work, save and benefit from the CPF system. And we will have study how best to help them meet their basic retirement needs. For new entrants as well as younger workers – they will have a longer runway before retirement, and they should aim to consistently work and upskill themselves. We will pay closer attention to those with lower-incomes – we already have Workfare and Progressive Wages to uplift their incomes, and with an enhanced skills training system along the lines of what I mentioned just now, we will be able to help them progress throughout their careers. With better jobs and wages, and our enhancements to the CPF system, they should be able to accumulate more savings for their retirement.

Of course, we must continue to look out for the other more vulnerable segments. They are platform workers or gig workers – we have accepted the recommendations from the Advisory Committee last year, and we are studying how to implement the recommendations and help these workers save for their retirement. And there will be other groups like persons with disabilities and caregivers – and again we will see how best to work with their families and community organisations to better support them.

Ultimately, we want to be able to assure all Singaporeans: as long as you work and contribute consistently to your CPF, you will be able to meet your basic retirement needs. And for those who do not have the ability to work, or the runway to work and save through CPF, we will find ways to take care of you. This is how we can strengthen our system of collective risk-sharing and give everyone peace of mind over their retirement needs as they grow old.

Third, we must invest in quality jobs and make every profession viable and every pathway rewarding. Here we want to focus on jobs for our ITE and polytechnic graduates given the wage gap I mentioned earlier. We are working with business partners to provide more industry exposure, and work-study opportunities for polytechnic and ITE students in their industry of choice.

We also need to address starting salaries and career progression for these students. And it's something that we are already doing. For example, some years back, we saw that many ITE students trained as lift technicians were not entering the industry, instead they were doing other jobs when they graduated. And then, we dived into the issue and we realised that their starting salaries were too low. They were just $1,300. This was in 2016. And that's why we have since put in place the PWM for lift technicians. Starting salaries are now 40% higher (at $1,850 in 2022), and set to increase further over the next few years. But it is not just about the starting salary. Once you enter industry, you can also look forward to a progression to supervisory and specialist roles – with greater responsibility and higher pay to match your expanded responsibilities.

We must continue to improve job prospects and establish better career progression across all fields. We will continue to expand the Progressive Wage Model to cover more areas with lower-wage jobs. Besides the Progressive Wage Model which focuses on lower-wage jobs, we must look at the next tier of jobs, which includes many associate professionals and technicians. We have already made some headway in some sectors, so this is work in progress. We have made some headway in several areas. For example, preschool teachers today can aspire to better career prospects. Some can become specialists, in fields like early intervention for children with special needs. Others can take on leadership positions – to mentor newer teachers, develop teaching practices, or even oversee clusters of preschool centres. So if you are interested in pre-school, it is not just better starting salaries, but a clearer sense of career progression as a specialist or as a leader in the field. In the IT sector, the industry associations SGTech and the Singapore Computer Society are now working on programmes with major tech companies to expand opportunities for ITE and Polytechnic graduates over the next three years.

Our goal must be to do the same across all sectors and industries – be it in social services or technical jobs. Every industry must relook its skills ladder, and invest in ways to attract, retain, and reward their workers.

This is not just about reshaping the labour market; it is also about shifting our perceptions towards work, and embracing a broader definition of what counts as 'good jobs'; for us to recognise skills and competencies rather than be overly focused on paper qualifications.

Realising this vision will require all of us to do our part. Employers can do more to

hire, train, and recognise all workers, instead of pigeonholing them or holding them back unfairly based on their starting qualifications. Consumers, which means all of us, must be willing to pay more for certain goods and services, to uplift the wages of those who provide them. Basically, we can't demand for services delivered by our fellow citizens to be priced cheaply, and in the same breadth lament that their wages are too low. It is completely inconsistent. I know this is not an easy conversation to have at a time when people are also concerned about rising prices and cost of living issues. That's why we will have to manage this economic restructuring carefully, and the Government will do whatever we can to provide support during the transition. But importantly, each of us, as parents, teachers, colleagues and friends, all of us must do our part to recognise and value one another, and accord dignity and respect to everyone for the work that they do.

In life, there is always a temptation to compare with others. To see who is "better". Some of this comparison can help drive healthy competition and a desire to learn and improve. But sometimes the comparisons are motivated by the wrong reasons and shaped by the desire to acquire status and social prestige. We saw this recently when there was a social media debate about luxury bags and what is deemed "branded". If you have not been following the debate, then just go online and google "Charles and Keith". But it extends to other areas too. We continue to see parental preferences for certain "branded" or top schools, even though MOE says "every school is a good school". We continue to see preferences for "branded" jobs that supposedly confer higher status in life; and even within one industry, there is sometimes a perception of a hierarchy of jobs, with some areas deemed more prestigious than others.

I wish things were different. But I am a realist. I know it's not going to be easy to change these mindsets. But we should all try to appreciate and recognise one another for who we are. Because at the end of day, everyone is different; we are each blessed with unique gifts and talents. There's no need to compare with others. The only comparison we need to make is an internal one – to focus on our own lives; to keep learning, improving and; ultimately, to be better versions of ourselves.

Conclusion

Much of what I've shared today and the changes we will need to make will require the buy-in from everyone in society – just as it has been throughout our nation's history. We are fortunate in Singapore that we have built up over the decades a

strong foundation of tripartite partnership – with the Government, unions, and employers working together to ensure that growth and prosperity is shared by everyone in Singapore. So I look forward to working closely with our tripartite partners and other stakeholders as we chart our new way forward. As we continue with our Forward Singapore deliberations which are ongoing, I invite all of you to partner with the Government in co-creating our new social compact and shaping our future together.

To conclude – work has evolved, and will continue to evolve. But good jobs and work will always remain a key pillar of our social compact in Singapore. We will spare no effort to ensure that the labour market of the future offers benefits, opportunity and security for all. We will ensure that Singapore remains a place where everyone can progress throughout life; contribute meaningfully to society; and forge fulfilling and dignified lives, with greater assurance for today and tomorrow. Thank you very much, and I look forward to our dialogue.