

CHAPTER 5

The Low-Wage Challenge: Uplifting Singaporeans in Essential Services



THE LOW-WAGE CHALLENGE: UPLIFTING SINGAPOREANS IN ESSENTIAL SERVICES

There is a group of employees in Singapore who may not be able to progress in tandem with economic growth due to the nature of their work. This group typically deliver services that are essential to daily living comforts in an urban city but are often taken for granted. Providing opportunities and progression to ensure that this group is not left behind is integral to maintaining the social compact. The Government has put in place policies and initiatives to support and uplift communities in this wage bracket. But businesses also have a part to play in valuing the contributions of these employees, who may not be as well-placed to benefit from market forces due to limited economic mobility.

In a desktop study of six potentially vulnerable household personas, the estimated income per capita after government transfers was found to be between \$477 and \$1,260 per month. It would not be possible to evaluate the sufficiency of these income estimates without digging into the specific circumstances, health status, support structure and lifestyle preferences of these households. However, there is recognition that there could be a shortfall in income to cover household spending for some in the lowest decile. Households under such financial strains could find their decision-making instincts impaired, making it even harder for them to break out of this cycle.

Observations from Desktop Study

No.	Description	Adult	Children	Other Details	Estimated Income Per Capita after Transfers
#1	Newly married couple with 1 child	22-year-old male earning \$1,500 a month 21-year-old female is pregnant and not working	1 in childcare	Live in 2R Flexi HDB flat	\$517
#2	Couple with 2 children	45-year-old male earning \$2,000 a month 45-year-old female earning \$2,000 a month	1 in ITE 1 in Sec Sch	Live in 3R HDB flat	\$1,031
#3	Single parent with 2 children	40-year-old female working as a cleaner (own-account worker), earning \$1,400 a month	1 in Sec Sch 1 in Pri Sch	Live in 2R Flexi HDB flat	\$477
#4	Intergenerational family	40-year-old male earning \$1,800 a month 36-year-old male earning \$1,200 a month Elderly parents aged 67 and 65, both not working	1 in Sec Sch 1 in Pri Sch 1 in Kindergarten	Lives in jointly purchased 5R HDB flat	\$452
#5	Mature couple	67-year-old male earning \$1,200 a month as a cleaner 65-year-old female is disabled and not working	-	Lives in 2R Flexi HDB flat	\$1,260
#6	Mature single	57-year-old male earning \$800 a month doing part-time work	-	Lives in 2R Flexi HDB flat	\$909

At the heart of the issue is the role of businesses in providing meaningful opportunities and decent work conditions to this segment of the population that deliver essential services for urban living. Central to this is the belief that a motivated workforce yields business benefits in the longer term, as well as a prosperous and kinder society.

Singapore Context: The “Kueh Lapis” Approach

Singapore does not have an official poverty line, but different thresholds have been set to access different types of government grants, including

education and healthcare assistance, wage supplements and housing subsidies. This is the “kueh lapis” approach – a term which surfaced in 2013 to reflect the multi-layered help provided by the Government to support those in need.

The National Wages Council (NWC) was established in 1972 to formulate wage guidelines in line with long-term economic growth, acting as a market-stabilising force and enhancing Singapore’s economic development. Over the years, the annual guidelines issued by the NWC have served to raise the pay of low-wage employees, setting an implicit “wage floor” in the process.

Adoption of NWC Guidelines Over the Years

	2014/15	2015/16	2016/17	2017/18	2018/19
NWC’s basic wage threshold	\$1,000	\$1,100	\$1,100	\$1,200	\$1,300
% of resident employees earning up to NWC’s basic wage threshold	6.8%	6.9%	5.7%	7.7%	7.9%
NWC’s recommended built-in wage increase	\$60	\$60	\$50-65	\$45-60	\$50-70
% of businesses that gave wage increases to employees earning at or below basic wage threshold	58.9%	46.5%	40.2%	61.9%	60.7%

Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Workfare, comprising the Workfare Income Supplement (WIS) scheme and Workfare Training Support (WTS) scheme, was introduced in 2007 to top up the salaries and grow the retirement savings of low-wage employees while keeping Singapore's employment rate and competitiveness high⁴⁰.

The Progressive Wage Model (PWM) was initiated in 2015 to increase the wages of the workforce in the cleaning, security and landscape sectors by upgrading skills and improving productivity. Under the PWM, there is a clear process for raising the wages of low-wage staff in these sectors in phases, as the staff upgrade their skills.

Enhancements continue to be introduced for both Workfare and PWM. Singapore's way of helping low-wage employees is positioned as a more holistic model than a pure minimum wage system, which carries unintended effects such as unemployment, wage stagnation at minimum wage level and placing the redistributive burden on industries and businesses that employ low-skilled labour.

This report does not set a definition for "low-wage" so as not to confine our target group. Rather, the intention is to consider

jobs and sectors with a higher proportion of staff that require salary support through schemes such as Workfare, and what more can be done by businesses for this segment.

Sorting Out the Work Blues

According to official statistics, 539,700 employees in Singapore earn a gross monthly income (excluding employer CPF contributions) of \$2,000 and below, which is the current Workfare threshold⁴¹. By occupation types, a significant 87% of those engaged as cleaners, labourers and related employees earn below \$2,000 a month. Specifically, these employees are mostly engaged in accommodation and food services, administrative and support services, as well as transportation and storage sectors. It comes as little surprise that a common challenge cited by businesses operating in these sectors is manpower crunch, exacerbated by low recruitment and retention levels as wages are too low to attract Singaporeans and Singapore PRs to take on these jobs. As a result, some of these sectors, such as cleaning, security and landscape, are heavily outsourced.

Share of Employed Residents Earning Gross Monthly Income From Work (Excluding Employer CPF) of Below \$2,000 by Occupation, June 2018

	Percent (%)
Cleaners, Labourers & Related Workers	86.8
Service & Sales Workers	54.7
Plant & Machine Operators & Assemblers	50.4
Professionals	2.8
Managers & Administrators	1.1
National Average	25.0

Source: Comprehensive Labour Force Survey, Manpower Research & Statistics Department, MOM

Apart from wages, low-wage employees also face other associated pressures, as identified during focus group sessions conducted by SBF involving small local enterprises, large local companies, MNCs and industry representatives. These pressures include:

- **Dignity:** Employees are not treated with dignity. Most are expected to remain invisible while performing the most essential of roles required for businesses and operations to function seamlessly. Some are not permitted to rest or have their meals in public or common areas.
- **Respect:** Those employed by service providers are deployed to workplaces where they are not regarded as part of the team. Overly frequent changes in work environment can be stressful and deprives outsourced employees of the opportunity to be rooted in a community where they spend the bulk of their time as many also work long hours.
- **Opportunities:** Many do not see value in going for training unless it translates into immediate economic value, such as salary increments or career progression. In reality, training is at times associated with a loss of income as employees are required to attend courses at their personal time and cost, given the demands of shift work. Some may also resist career progression in situations where salary increments might not make up for the loss in social assistance they would otherwise continue to receive if they maintain the status quo.

Providing Decent Work Conditions: Actions to be Taken Now

There is an impetus for businesses to do more for low-wage staff, not only out of the desire to foster universal concepts of creating a non-discriminatory and dignified work environment, but also because it makes business sense. In a tight labour market where the supply and inflow of Singaporean and foreign workforce in the cleaning, construction, food and beverage, landscape, manufacturing, retail and security sectors are constrained, businesses that can attract and earn the loyalty of these employees benefit from higher productivity, operational continuity, knowledge transfer and lower recruitment and onboarding costs arising from reduced staff turnover. This translates to economic gains in the medium- to long-term.

These are five progressive workplace practices that businesses can adopt for a start:

- 1. Dignity – Boost morale by making employees feel valued:** Ensure basic provisions such as healthcare, clean uniforms, safe and proper rest areas, as well as equal access to common areas. These small but important steps help to raise the image of some of these professions and correct dated misconceptions that those in these jobs are second-class.
- 2. Respect – Build a trusted community within the workplace:** Include low-wage employees in company-wide programmes such as career counselling, as well as events such as team-bonding activities. Service buyers could also extend company benefits to outsourced staff by sharing key components of their Employee Assistance Programmes (EAP) or organising appreciation events for their outsourced staff and partners.

3. Broaden Opportunities – Design training with the employee in mind: Overcome traditional resistance to training by providing staff with a conducive and appropriate training programme. For most low-wage employees, bite-sized and on-the-job training are most effective and mitigate the scheduling constraint for employers. Different modes of training, such as e-learning and virtual reality, can also be explored to keep the concept of learning new skills fresh.

4. Extending the Family: Many companies engage in Corporate Social Responsibility (CSR) activities today. While these initiatives are important, taking care of the needs of vulnerable employees is equally meaningful yet overlooked at times. Efforts could include offering bursaries to the children and grandchildren of staff, providing meals or meal vouchers for certain groups of employees, as well as working with voluntary welfare organisations (VWOs) to help needy employees apply for financial assistance.

5. Ownership and Purpose – Going the extra mile: Give employees an opportunity to take ownership in the business. Creative ideas can be adopted to extend this to employees at every level. An example is REBEL GURL, a sandwich deli which offers employees a profit-share programme and the chance to own equity in the business – a unique practice for a food and beverage business. Ownership creates pride in jobs and, ultimately, in the company and brand.

There is a well-known story from 1961, when the then US President John F. Kennedy was visiting the NASA headquarters for the first time. He introduced himself to a janitor who was mopping the floor and asked him what his role at NASA was. The janitor replied, "Sir, I'm helping put a man on the moon!" The man understood the vision, his valuable contribution, and he had purpose. Purpose brings dignity to jobs.

AN EXAMPLE – THE REBEL SPIRIT

With a tagline like “Normal Is Boring”, one can expect this eatery in 111 Somerset to be a little bit different.

REBEL GURL or REBEL, in short, is not about resistance, opposition or rebellion. Instead, in a market of well-established Food and Beverage (F&B) business practices, it chooses to ask the question: “Can this be done better?”

Founded by Mr Sandy Monteiro, a senior executive from the music industry, this idea of being different underlies a spirit that runs through every element of the business – from the choice of eco-friendly packaging, to offering great quality and healthier food options at affordable prices, to, most importantly, a better way of engaging people to work in the F&B industry.

REBEL hires people regardless of background, experience or qualifications. It looks for those with the right motivation and attitude; people who want a chance to change their lives and are willing to put in the effort to make it happen. In return, REBEL gives them a fair industry wage, a profit-share programme, the opportunity to have equity in the business and a pathway to participate in and grow with the regional roll-out of the brand.

This has resulted in an employee base that is proud, motivated and incentivised with a high sense of brand ownership. It is the kind of attitude that has seen REBEL top the list in several independent publications reviewing the food business. It has also drawn full-star ratings from consumers in almost every online platform. This is a feat, considering that 85% of the staff started with zero F&B experience before joining REBEL. That, together with an unheard-of F&B industry staff retention rate of 80%, is proof that the deli has a special recipe for success.



Taking care of our workforce results in shared and long-term success. Hiring and retaining staff is a key challenge for SMEs. Therefore, if we train our employees, invest in them and look after them and their families, we will have staff who will in turn look after the company. At the fundamental level,

everyone wants to work for a good company and boss, and desires opportunities to learn, grow and progress. This is crucial in creating a pipeline of staff for essential services, without which Singapore would neither be the clean nor safe city that it is known to be.

RECOMMENDATION 1: SELECT SOCIALLY RESPONSIBLE VENDORS IN OUTSOURCING ARRANGEMENTS – SHIFT FROM PURE COST CONSIDERATIONS TOWARDS OUTCOME- AND VALUE-BASED SOURCING

Outcome-based sourcing is defined as procurement on the premise that the supplier is contracted to directly achieve agreed outcomes and performance with and for the business, rather than being contracted in terms of the delivery of the supplier's inputs. Value-based sourcing is a comprehensive approach to sourcing that goes beyond costs. It considers a range of factors including the outcomes achieved and hidden costs to service buyers such as operational disruption, and opportunity costs that are not traditionally priced into outsourced contracts.

Cost should not be the primary factor in procurement decisions, as the lowest quote may not always translate to value for money or be sustainable over time. With margin pressure, contractors face difficulties in raising wages and investing in people development, technology or better equipment while maintaining the bottom line. As a starting point, decision makers should consider fair value for good service as a principle that makes better business sense.

The key elements of outcome- and value-based sourcing are:

1. Stipulating service-level outcomes and performance standards

Service-level agreements (SLA) should allow flexibility in job design rather than set a requirement for a minimum number of personnel on the ground. Service buyers

should work with service providers to explore mutually beneficial work arrangements that collaboratively achieve said business outcomes. For example, service buyers can consider supporting job-share arrangements which allow for shorter shift cycles for staff who may require such an arrangement, as well as scope for the same employee to perform adjacent roles and duties.

2. Defining prerequisite conditions for tender eligibility to drive responsible behaviour towards employees, and for sustainable long-term growth

This method serves to weed out errant contractors that treat their staff badly with impunity and offer low prices to clinch jobs. Service providers who cut prices at the expense of quality of work and employee salaries should be stopped.

Prerequisite: Workplace and HR practices

Terms of employment, employee benefits, employment track record in terms of training hours and staff turnover rate could be included in the agreement with contractors. This will incentivise service providers to be mindful of the compensation and benefits package offered as well as the employer-employee relationship.

Prerequisite: Investment in Technology and Innovation

Service providers should demonstrate a commitment to investing in the appropriate tools and equipment to enhance productivity or introduce new ways of doing the work. This will drive their behaviour towards smart solutions rather than assigning cheap labour to achieve the desired outcomes and service levels.

3. Provision for longer contract terms

This enables service providers to justify the investment in training and technology, which are essential to raising productivity. With a longer strategic runway and long-term collaborative relationship between service buyers and service providers, the focus of this partnership can shift from cost-cutting to win-win initiatives to manage costs without compromising the wages offered to employees.

MOM has taken the lead in employing best sourcing practices. However, with government bodies employing only a small percentage of cleaning and security staff, impactful transformation of industry practices will require the collaboration of more businesses. As the saying goes, "A rising tide lifts all boats". If more businesses adopt similar procurement practices, the entire ecosystem will become robust and sustainable.

For this to happen, companies and procurement teams need to take the first step in updating their contracting guidelines and practices with the benefits of outcome- and value-based sourcing in mind. To help companies get started, the Government has produced detailed industry-specific guides on outcome-based sourcing that include actual contract templates and evaluation scorecards. Some of these resources include:

- Step by Step Guidebook on Best Sourcing for Service Buyers ⁴²
- Guide on Specifications for Outcome-based Cleaning Contract (2017) ⁴³
- Guide on Outcome-based Security Contracts ⁴⁴

For more complicated service requirements and contracts covering services across different sectors, such as an integrated facilities management contract for cleaning, security and landscape work, more can be done. Industry bodies including businesses with deep knowledge of such operations, Trade Associations and Chambers and the tripartite partners can craft model contracts for use. Implemented well, this recommendation benefits businesses which are service buyers, companies providing outsourced services, as well as outsourced staff.

For businesses, outsourced services are delivered in accordance with the needs and expectations of internal and external customers. Cost savings are expected especially in the medium- to long-term.

For service providers, bidding for contracts is no longer a race to the bottom with the lowest bidder being awarded. This is the backward spiral seen today. Instead, there is scope for longer-term investments in technology, R&D and staff development – key ingredients for business success and scaling up.

For outsourced employees, there are opportunities for job enlargement and upskilling as their job scope is no longer constrained by headcount requirements. As a result, staff in traditionally low-wage jobs will have access to higher wages and career progression.

RECOMMENDATION 2: TRANSFORM JOBS BY CHANGING WORK PROCESSES THROUGH INNOVATION TO ENLARGE JOB SCOPES, RAISE WAGES AND PROVIDE BETTER CAREER PROGRESSION

Career pathways in the identified outsourced industries tend to remain stagnant and stunted. As such, even with the PWM, employees may still face barriers to higher wages, especially when only a select few can be promoted or meet the stringent requirements of necessary certifications.

A solution is to combine a number of low-wage jobs which are being increasingly simplified through technology. This allows service providers to boost staff productivity and reduce overall headcount requirements, leading to increased margins which can be transferred to employees in the form of wage increases.

Beyond improving the skills of employees, this allows for businesses to enlarge jobs by encouraging multi-skilling, opening alternative career paths that can facilitate upward social mobility especially in the cleaning, security and landscape industries. The horizontal integration of job roles across industries can extend the career runway for low-wage staff.

Job enlargement could also provide broader and more varied job responsibilities, which could improve job satisfaction, build a multidisciplinary workforce for growth and change the categorisation and perception of the job, thus improving the branding of these industry sectors.

A lighthouse project will be initiated to convene service buyers and service providers in the estate and facilities management space to rethink the job roles of staff performing essential services, such as cleaning, landscaping and security work in residential and commercial properties in Singapore. Recognising that the employee profiles across these job roles are similar, these businesses see the potential to create better jobs by clustering suitable roles to increase the contribution and productivity of these employees. Ultimately, this can be a win-win, as it provides for career progression and wage increases for those equipped with the skills to perform custodial work across sectors. Property owners and service providers also benefit from a more flexible and knowledgeable talent pool and productivity improvements when these are coupled with the use of technology.

LIGHTHOUSE PROJECT

This is a model project that aims to have a signal effect on other businesses that will look to it for inspiration and guidance.

Pioneer partners for this lighthouse project include Far East Organization, CapitaLand, Certis Group, CBM, Greenology, ISS Facility Services and Pontiac Land.

In Phase 1 of this project, there will be three concurrent workstreams:

1. Research will be conducted in conjunction with employees and stakeholders in the industry to identify suitable job roles, complementary competencies and skills to be clustered and redesigned into enlarged multi-skill job roles. As an illustration, these consultations will explore if zonal work covering cleaning, gardening and patrol duties is feasible.

2. Partners in this project that already have similar initiatives in place will continue to test-bed, gather and share results. As an illustration, **Certis Group** has started reviewing job design to extend the employment runway for its security workforce. **CBM** has established an internal training centre to promote skills development and certification for various job functions, facilitating career progression.
3. Partners with suitable projects to pilot this model will test-bed it with a selected group of employees. As an illustration, **CapitalLand** and **ISS** (as a service buyer and provider) will pilot job-skill clustering with a pioneering cohort at one of their shared properties. Meanwhile, **Far East Organization** will pilot a proof of concept for redesigned multi-skilled jobs at one of its private residential or mixed-use developments.

The learnings from Phase 1 will contribute to the establishment of an Estate Management Centre (working name) in Phase 2, where staff will receive on-the-job training to be proficient in their cross-sector job roles. With the launch of the Singapore Skills Framework by SSG and WSG, sector-specific information and connections between skills, competencies, job roles, career pathways and training programmes to acquire existing or emerging skills are now readily available and will be valuable resources for the training programme. The mandate of this centre would be to develop the manpower pipeline by training both existing and new employees in estate and facilities management.

This phase will also include trials to calibrate the workload, operational feasibility and productivity gains from this new model at selected properties and job sites. This is to ensure that the underlying objective of improving the wages and lives of employees providing essential services is achieved.

The project encourages more companies, small and large, to participate. Having a critical mass of developers and service providers can serve the joint purpose of providing a decent living and meaningful jobs for low-wage employees. Ultimately, it benefits companies through an engaged and motivated workforce.

TIME TO MAKE THE CHANGE

The case for low-wage staff can be an emotive one, but businesses need to look beyond that to appreciate that the jobs performed by such employees are not just low-wage jobs, but essential roles. Cleaning, security and landscaping services are almost universally required by all companies. There is an urgency to reconsider the model in which we employ and engage with these employees, to ensure that we have a productive and motivated workforce in place to journey with us towards sustainable long-term growth. In the grand scheme

of things, these employees are also our customers and community, and their success is necessary for our success.

Businesses have an opportunity agenda to adopt practices and policies that will help better spread the benefits of economic growth. Although this may not seem logical for businesses, as making profits and controlling costs to sustain business success are the norm, such a short-term perspective may result in detrimental effects on society that will eventually hurt businesses and the economy. Hence, this call to action is a necessary and urgent one.