



National University of Singapore economist Hui Weng Tat argues that employers have more bargaining power than workers, forcing workers to accept overly low pay. The influx of low-skilled foreign labour in earlier years lowered workers' bargaining power further, he adds. ST FILE PHOTO

Onus is on bosses to pay their workers more



By JANICE HENG

INTRODUCED as a labour movement initiative a year ago, the “progressive wage model” is now held up by the Government as a central pillar of Singapore’s efforts to help low-wage workers.

The idea is to set out career ladders in low-wage sectors with pay benchmarks for each rung. Workers climbing up earn more.

Models have been rolled out for eight sectors from transport to cleaning, with more in the works.

For instance, the model for the food & beverage and retail sectors suggests at least \$1,000 a month for service crew, rising to at least \$1,800 for supervisors, \$3,000 for managers, and so on.

But by tying wage gains to an upward climb by the worker, the progressive wage model has two main flaws.

First, this helps those who are able to move up, but not those who stay on lower rungs.

Second, it may not address the worry that low-skilled jobs may be underpaid to begin with.

In the progressive wage model (PWM), workers earn more if they move up into better jobs. A waiter earns more by becoming a supervisor. But not all workers can do that. Some may be unable or unwilling to take on larger roles, or remain waiters.

Even if some become supervisors, there will always be a need for many workers at the bottom rung. If wages for those at the

bottom are very low to begin with, Singapore will always be saddled with a low-wage worker problem.

Some commentators have indeed argued that jobs at the bottom are paid too little to begin with.

Banyan Tree Holdings executive chairman Ho Kwon Ping and veteran economist Lim Chong Yah both alluded to this last year, noting that low-wage workers here are paid less than those in other developed economies, and that the wage gap between the low- and high-skilled is greater here.

Mr Ho’s solution was to raise wages while incentivising firms to boost productivity. Professor Lim proposed a three-year wage hike ahead of productivity gains, arguing that the low-income are underpaid for their contribution.

But how can market-determined wages be considered “too low”? Doesn’t a free market correct itself?

In an article in last month’s International Labour Review, National University of Singapore economist Hui Weng Tat argues that employers have more bargaining power than workers, forcing workers to accept overly low pay. This understates the full social cost of labour, resulting in an inefficient or distorted outcome. The influx of low-skilled foreign labour in earlier years lowered workers’ bargaining power further, he adds.

There is another sense in which one can argue that low-wage jobs pay too little: when it barely covers a household’s basic expenses.

Based on the latest Household Expenditure Survey, the average monthly household expenditure for the bottom fifth was \$1,760 in 2007/2008. This is more than

the pay even for some “higher-rung” jobs such as cleaning supervisor, for which the progressive wage model suggests at least \$1,600.

Even the Government’s Workfare Income Supplement, which tops up the pay of low-wage workers, is a recognition that jobs do not pay “enough to get by”, says UOB economist Francis Tan.

He adds that Workfare’s impact is limited, as it is “just about increasing disposable income.” It does not tackle the root problem: that some jobs do not pay enough to support an individual or a family. Prof Hui says Workfare could even encourage firms to perpetuate low wages by putting the burden of helping the low-income on the Government instead.

What is the best way then to raise the pay of low-skilled jobs?

The obvious way is to raise productivity, whether this takes the form of automation, training, or job and process redesign.

But there are limits to productivity increases. Drivers, for instance, can make only so many deliveries without speeding or working dangerously long hours.

One could also tighten the supply of cheap alternatives, that is, foreign labour. This is already being done, causing firms to raise pay for locals in low-skilled jobs.

Another simple step forward is for the progressive wage model to be more ambitious and set more benchmarks above current norms.

The current model sets pay benchmarks which reflect existing wages or are even below market rates in some sectors. For instance, housekeepers’ benchmark pay is \$1,000, but one hotel paid housekeepers \$1,300.

The benchmark pay under the PWM for hotel attendants last year was \$1,000. The latest available wage data for June 2011 data shows that median basic pay for hotel attendants was \$1,100, higher than the benchmark.

The problem is that the PWM relies on moral suasion without the force of law. Companies can ignore it.

Ultimately, therefore, the onus lies on firms themselves to accept the need for higher wages as Singapore restructures.

This may even mean raising pay ahead of productivity gains, and accepting thinner margins or passing costs on. And if costs are passed on, consumers must be prepared to pay more in the name of fairer wages.

One could, of course, ask why we should care about low wages.

There are many pragmatic reasons. Too-low wages could increase the burden on Government to support the poor; deter Singaporeans from taking up such jobs, thus worsening the dependence on foreign labour; or hurt social cohesion if the gap between the haves and have-nots grows.

But there is a more basic reason to care, and it is the principle that someone doing an honest day’s work should be able to make an honest living. In affluent Singapore, the existence of jobs that pay too little is all the more regrettable.

Perhaps we should not be content that workers have a chance to improve their skills and earn more by becoming supervisors. We should ask if we want to be the sort of country where jobs at the bottom pay so little to begin with.

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■ ADOPT PROGRESSIVE WAGE MODEL, COMPANIES URGED, HOME B2

Twilight of the US middle class?

By CHRYSTIA FREELAND

IT’S evening in America. That is the worrying news from the latest Heartland Monitor Poll, conducted quarterly and sponsored by the insurer Allstate and National Journal.

The researchers made a striking finding: The US middle class, long the world’s embodiment of optimism and upward mobility, today is telling a very different story. The chief preoccupation of middle-class Americans is not the dream of getting ahead, it is the fear of falling behind.

The poll found that 59 per cent of its respondents – a group of 1,000 people selected to be demographically representative of the United States as a whole – were afraid of falling out of their economic class over the next few years. Those who described themselves as lower-middle class were even more scared than the overall group – 68 per cent feared they could slip even lower down the economic ladder.

This wary vision of the future went hand in hand with a diminished idea of what it meant to belong to the middle class.

More than half of the people polled – 54 per cent – said that being middle class meant having a job and being able to pay your bills. Fewer than half – just 43 per cent – took the more expansive view that membership in the middle class was a passport to financial and professional growth, buying a house and saving for the future.

“The key finding is that the middle class in America is more anxious than it is aspirational,” Mr Jeremy Ruch, a senior director at the strategic communications practice of FTI Consulting and one of the people who led the polling, told me.

“Some of the traditional characteristics of middle classness are not seen as realistic. They have been replaced by an anxiety about the possibility of falling out of their economic class.”

Even more arresting was the extent to which things that used to be the unquestioned trappings of middle-class life have come to be seen as upper-class luxuries. Nearly half – 46 per cent – of the respondents who described themselves as middle class said being able to pay for children’s college education was possible only for the upper class. Forty-three per cent thought only the upper class had enough savings to deal with a job loss, and 40 per cent believed only the upper class could save enough to retire comfortably.

For the land of opportunity, this is a seismic shift.

America was created as a country where the middle class could prosper – Thomas Jefferson crowed that America had no paupers and few who were rich enough to live without labour.

This was supposed to be the place where, as former president

Bill Clinton liked to put it, if you worked hard and played by the rules, you could get ahead. And Yanks gloried in the fact that the world’s huddled masses regularly demonstrated their belief in the American dream by voting with their feet.

The respondents to the Heartland poll know the world has changed. Nearly two-thirds of those who described themselves as middle class said their generation had less job and financial security than their parents. More than half said they had less opportunity to advance.

The academy can be sniffy about the economic instincts of ordinary folk, but in this case, Joe Public seems to have gotten it right. The respondents were on target when asked to estimate the income of the typical middle-class family: They said between US\$60,000 and US\$65,000 (between S\$74,200 and S\$80,400) a year. According to US Census data from the Current Population Survey, the median income for a family of four is US\$68,274.

Most economists think the anxiety articulated in this poll is a reaction to a real and new peril.

“I don’t blame them,” Professor Erik Brynjolfsson, from the Sloan School of Management at the Massachusetts Institute of Technology, told me. “They are falling behind, so it is not surprising that they are feeling anxious.”

“The disappointment and the anger of the middle class is not just whining, it is based on real economics.”

“The job security and the income of the middle class is declining, and so is social mobility.”

The saddest paradox revealed in the poll is that ordinary Americans agree with the elites about what it takes to get ahead, or at least to stay afloat, in the 21st-century US. Half of the respondents said that college was the best way to earn and maintain membership in the middle class. But almost half – 49 per cent – thought that only the upper class could afford to pay for their children’s higher education.

Humans have always been good at focusing on the immediate threat, and the non-stop media cycle has only exacerbated that trait: One week it is Hurricane Sandy, the next, Cyprus, then the Boston Marathon blasts.

For the Western industrialised countries, however, the really big story is the slow, inexorable decline of the middle class. Watching it happen is about as exciting as studying paint as it dries or a frog as it boils. But the pain is now being felt even in perennially optimistic America. There are still a few hours left before midnight – let’s hope we can act in time.

NEW YORK TIMES

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GLOBAL TERRORISM

Post-Boston: Back to the competition of ideas

By AMY ZALMAN

PROMINENT American policymakers, including Representative Peter King and Senators Lindsey Graham, Kelly Ayotte and John McCain, are already trying to revive discredited concepts of the global war on terror. These range from designating the marathon bombers as enemy combatants to calling for sweeping surveillance of Muslim communities.

What led Tamerlan and Dzhokhar Tsarnaev to become bombers is still murky. But the features of that event tell us much about the direction of 21st-century terrorism. The most important finding is that people become terrorists because they are vulnerable to ideological influence and find power in narratives of violence, not because they are foreigners.

After 9/11, the American public was shocked at the post-modern qualities Al-Qaeda brought to its brand of global jihad. Rather than a hierarchical organisation of cells, the group was a horizontal network of individuals.

Eliminating a leader or any given network “node” did not cut the flow of information among members. The ease of global travel and

communications kept them connected.

They communicated using digital media, transcending territorial boundaries and spreading ideas globally. Unlike groups committed to one rigid ideology, Al-Qaeda offered a sinuous storyline of glory through sacrifice that extremists could “franchise” and fit to local grievances.

In order to combat this new form of global terrorism, the United States attempted a global war centred on armed combat. As the Boston Marathon bombings demonstrated, the United States did not “win”.

Former secretary of defence Robert Gates said that “over the long term, the US cannot capture or kill its way to victory”. Military action is not effective on terrorism’s terrain of ideas and beliefs. A military can kill a combatant, but emotions will take root in and inspire others – via mechanisms such as vengeance, pride in a martyred compatriot, inchoate mourning.

To succeed, we must return to a competition of ideas. But it cannot be the “war of ideas” attempted after the 2001 attacks. That “war” was envisioned as a bipolar battle with a single ideology of “Islamic extremism”. It was mod-

elled on the Cold War, a battle between two ideas: American free market democracy and Soviet communism. These ideologies were embodied in institutions and reflected in daily life.

Al-Qaeda lacked such coherence, especially as it spun away from Osama bin Laden into derivative forms. Groupings under the Al-Qaeda banner included not only religious ideologues, but also criminals, thugs and others with regional grievances. Indeed, the Dagestani jihadists identified as potentially behind Tamerlan’s motivations reiterated that their battle is with Russia, not the US.

We will soon learn more about what motivated Tamerlan Tsarnaev and why he came to view terrorism as a reasonable choice. For now, we should realise that few make that choice, even in similar circumstances, and that there are always multiple motivations. We know that even Dzhokhar did not travel the same path towards violence as his brother.

Both young men lived – as we all do – in a world of many ideas that are porous and contingent on our circumstances and our receptivity. Out of these ideas, each built a narrative that helped him make sense of himself and his role in the world.

Instead of reacting impulsively to the events in Boston, let’s respond within a more stable paradigm of contemporary global terrorism. This paradigm is evolving, but several trends are coming into view:

Today’s violent actors are hybrids. Traditionally, we understand terrorists as either “lone wolves” who operate alone or as members of organisations. Today, a hybrid type is evolving: someone who works without full organisational support or direction, but who is inspired by their ideas and may have some ties to members.

Today’s violent extremists have multiple motivations. Twentieth-century organisations held specific ethnic-nationalist goals or revolutionary goals. Today’s decentralised terrorist activity requires us to consider individuals’ multiple motivations. An individual may couple extremist ideology with specific triggers, such as social marginalisation or high-pressure recruitment tactics.

Today’s terrorists are driven by narratives of their own making. In the past, extremists might be physically isolated in training camps and walled off from normal society by other group members. Today’s extremists are often isolated, instead, in an imaginative

construct of their own making, choosing exposure to only that information that accords with their radical vision.

The contemporary global terrorist thus exists in a paradox. On the one hand, if he (or she) travels globally, as Tamerlan Tsarnaev did, he is exposed to a variety of cultures and ideas. He could be a cosmopolitan. Yet, rigidity of mind, feelings of displacement and ability to personalise digital information sources mean he more likely lives in a narrow, self-reinforcing, anti-cosmopolitan narrative.

Where to start: A more nuanced, focused battle

THERE is nothing more challenging to uproot than another person’s world view. Where then, should we start? Here are a few ideas.

■ **Address multi-motivated extremism:** Violent activists have a complex make-up. They have ideological, temperamental, circumstantial, psychological and other motivations. Addressing only one leaves the others intact.

■ **Counter non-constructive psychological and cognitive traits:** Different issues may motivate would-be violent actors. But they

tend to think about those issues in similar ways. There is strong evidence that violent protagonists across the ideological spectrum share a consistent psychological profile. These include Manichaeism thinking styles and feelings of alienation. Understanding this can aid prevention efforts. We should call for educational standards worldwide highlighting flexibility of mind and other cognitive skills that help people develop constructive self-narratives.

■ **Counter with the world view of would-be extremists:** People shift world views gradually, using existing views as bridges to new ones. The US must learn to cross these bridges and speak from within – rather than at – imaginative constructs of other people and societies.

■ **Build policies that address actual contributing factors to radicalisation:** The US must keep unrelated policy issues from muddying the water. Immigration restrictions, for example, are a distraction from counter-terrorism strategy.

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