

Price to pay for productivity



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THE plan – raise foreign worker levies slowly to force employers to cut their reliance on foreign labour and make their staff more productive.

The payoff – the flow of foreign workers here is stemmed, and local workers become relatively more attractive to hire, become more productive, and hence their income increases.

At least, that's the hope.

This plan was one of the proposals unveiled early this week by the Economic Strategies Committee to help sustain Singapore's economic growth.

Some pundits have even asked for the Government to go further and implement a minimum-wage system to boost earnings of low-skilled Singaporeans.

This way, not only do more Singaporeans get employed instead of foreigners, they earn more doing those same jobs, they argue.

While it is easy to cheer such an initiative, there will be a price to pay for it.

Say levies make it such that it costs the same to hire two Singaporeans as it is to hire three foreigners.

If the two Singaporeans can be more productive and do the work of three foreigners, they will get 1.5 times the salary that the job normally pays.

This, unfortunately, is in an ideal world.

In some industries, such as the service sector and construction, it's not a matter of finding a way to make Singaporeans more productive than the foreign workers. It's a matter of getting them to want to do the job in the first place.

Employers interviewed in a recent The New Paper report said even though they offer to pay Singaporeans more than foreigners for a certain job, few sign up for them.

For example, the Paradise Group of restaurants offer locals a starting salary of \$1,500 to be a part of its waiting staff, compared to \$1,200 for foreigners.

But owner Eldwin Chua says locals who take up the offer often quit after just a few days because they can't take the long hours of standing.

The solution? Perhaps dig deep and pay a salary high enough that locals would find it worthwhile to do all that standing.

But what happens after that?

Employers will find that their labour cost has gone up so much, something else has got to change – the price of their goods and services.

So while you may be happy to be served by Singaporean waiters at your favourite Chinese restaurant, you may also notice that your favourite fried rice dish now costs \$8 instead of \$5.

While more lower-educated Singaporeans will earn higher salaries doing "dirty" jobs like mopping floors and washing toilets, you may now have to pay \$3 instead of \$2 for your MRT fare because it now costs SMRT more to keep its stations clean.

So here's hoping that the upcoming Budget will hand out some hongbaos to employers to help them cut costs elsewhere, allowing them to afford to pay Singaporeans higher salaries – making it a win-win scenario.

Now that's a plan.