

Rebalancing rewards between 'head' work and 'heart' and 'hands' work

The result would be a less stratified society and a more vibrant and fair economy.



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Here are a couple of facts that puzzle a lot of people: A plumber in Australia earns up to 40 per cent more than a plumber in Singapore. Australia's nurses do even better, earning up to 75 per cent more than their counterparts in Singapore. This isn't because Australians are richer than Singaporeans. On the contrary: According to World Bank data, Australia's per capita income was US\$59,934 (S\$85,430) in 2021, while Singapore's was US\$72,794, or more than 20 per cent higher. It's a similar story if we replace Australia with any other advanced economy.

As Deputy Prime Minister and Finance Minister Lawrence Wong [pointed out in his keynote speech at the Singapore Economic Policy Forum on Tuesday\(Oct 18\)](#), there is a premium in Singapore on what he called "head" work, which refers to knowledge-related, white-collar roles – those performed by lawyers, engineers and architects, for example – where academic credentials count and cognitive abilities are rewarded. By contrast,

“hands” work and “heart” work, which refer to more blue-collar and community service roles – such as those performed by plumbers and nurses – that require more vocational than academic qualifications are significantly less remunerated, even though they are indispensable.

Mr Wong noted, for instance, that the median starting salary for a university graduate – who typically performs “head” work – is almost twice that of an Institute of Technical Education (ITE) graduate, who often ends up in “hands” work or “heart” work sectors, and the earnings gap increases over time. This leads to wider inequalities in income and wealth and a more stratified society.

Part of the reason for the gaps in the pay of “hands and heart” workers in Singapore and Australia (as well as most other advanced economies) is that Singapore has relied, to a greater extent, on low-cost foreign workers for a lot of blue-collar roles. The managing director of the Monetary Authority of Singapore, Mr Ravi Menon, pointed out in one of his IPS-Nathan Lectures in 2021 – which made a robust case to professionalise all jobs – that about one-third of low-wage service jobs are done by low-cost foreign workers.

Vicious circle

The low-paying nature of blue-collar work is self-reinforcing. Because of the low pay, these jobs are stigmatised and locals shun them. The more they are shunned by locals, the more these jobs need to be filled by foreign workers, which perpetuates the low pay.

One way to break this vicious circle is to mandate increases in pay to levels closer to the median wage for these jobs, which is just over \$4,000 per month. This is a work in progress: The Government has been raising qualifying salaries and tightening foreign worker quotas (the permitted ratio of foreign workers to local workers).

For instance, the Government [raised minimum salaries for S Pass workers](#), who perform mid-skilled work, from \$2,500 to \$3,000 from September 2022, with further increases planned from 2023. S Pass quotas

will also be updated from Jan 1, 2023. This will push up wages for these jobs, which will draw more local workers in.

The process needs to be gradual, spread out over a few years, so that companies can adjust. There will also be a need to continue to allow exceptions for jobs for which foreigners' skills are indispensable – such as speciality chefs and other niche roles that local workers cannot fill.

It is not only pay scales that need to be raised, but also quality standards. Labour organisations would have to set higher certification criteria for many blue-collar roles, which is the case in other advanced economies. Plumbers in Australia, for example, need to go through not only vocational training at the equivalent of ITEs but three to five years of apprenticeship under the supervision of a registered professional to get certified. To get licensed to take on more complicated jobs, they need to get higher certification, which also involves sitting an exam.

If replicated in Singapore, such regulations would require employers as well as jobseekers to invest in training, for which subsidies are provided, as well as more sophisticated equipment, which would lead to jobs being redesigned. Companies that don't do this and try to continue relying on low-cost foreign labour will go out of business, because as minimum salaries are raised and quotas tightened, the costs of foreign labour will keep increasing, and industry standards will be higher than they will be able to deliver. As wages and standards rise, more local workers will move into blue-collar roles, and they would earn a decent living.

The cost impact

But will the cost of services provided by the likes of electricians, plumbers and caregivers rise? As Mr Menon pointed out, if higher wages for these and other tradespeople are accompanied by higher productivity and more efficient work processes and if companies providing such services

consolidate and achieve economies of scale, the rise in costs may be controlled – although they would probably be higher than they are now.

Consumers would need to be willing to pay higher costs for these services, which would however be of higher quality. But more of a “do-it-yourself” culture would also develop, where people do simpler fixes themselves – as happens in many advanced economies – rather than calling on professional help for the smallest tasks.

There are both social and economic reasons to narrow the gap between “head” workers and “hands” and “heart” workers. This would lead to less social stratification and elitism and more social mobility. The latter group would no longer be a low-income underclass populated by a high proportion of foreign workers; it would be firmly in the middle class with a rising proportion of locals, who would have access to more well-paying jobs with career paths, even if they do not have academic qualifications. But, as Mr Wong put it towards the end of his keynote address: “For many people, wages is just one part. Respect and dignity matter equally, if not more.”

Economically, a narrower gap would reduce (though not eliminate) the need for regular income transfers and subsidies to low-income groups, which would free up fiscal resources to invest more in other areas such as better healthcare facilities, education and training, as well as climate initiatives.

Higher purchasing power among “hands” and “heart” workers would also raise their demand for goods and services, which would benefit the economy, leading to more widely shared, if not also higher, economic growth. It would be a big step towards a more mature economy and an egalitarian society.