

If Singapore is a meritocracy that rewards diligence and skills, why do academic qualifications still have an outsized impact on how much one is paid?

A recent study led by Associate Professor Irene Ng of the National University of Singapore's social work department found a significant pay gap between young people with university degrees and those with technical and other qualifications.

University graduates in their 20s and 30s earned a median monthly salary of \$4,200, 62 per cent higher than those with diplomas or A-level certificates and more than twice those with Institute of Technical Education (ITE) qualifications and secondary or lower education.

These findings corroborate data on starting salaries from graduate employment surveys conducted by our institutes of higher learning. The pay of university graduates entering the workforce is about 1.5 times that of polytechnic graduates and 1.9 times that of ITE graduates. These ratios have held steady or declined just slightly over the years.

NARROWING THE GAP

The news has prompted many to wonder whether the pay differentials between university and technical education can ever be eliminated or at least reduced.

For all of Singapore's emphasis on skills, such efforts could be in vain if one's investment in skills does not lead to a commensurate increase in wages. This could inadvertently blunt the impetus of the national SkillsFuture movement, which encourages lifelong learning and reskilling to keep up with the advance of technology and transformation of businesses.

Still, changing work practices offer hope. In many growing spheres of work where skills are easily observable, all that matters when it comes to compensation is being able to do the job competently.

For instance, skilled freelancers such as coders, writers, designers and photographers command fees based on the quality of their work rather than their academic qualifications. The number of own account workers has risen to 248,500 in June 2021, or 9.3 per cent of the resident workforce, according to the Manpower Ministry.

For those able to participate in the free and open market for skills, the distinction between university and technical qualifications matters less. However, the vast majority of Singapore's workforce remains in sectors and jobs where the link between skills and pay is less clear-cut.

In particular, institutional rigidities and poor human resource practices could stand in the way of fair career progression and efficient wage adjustments.

For instance, seniority-based pay and progression pathways that depend on an employee's initial qualifications rather than work performance can create an unhealthy divergence between pay and one's contribution to the organisation.

Such practices hamper workplace fairness, and should be jettisoned in favour of a meritocracy where every worker can aspire to higher pay and progression based on skills and contributions on the job.

The removal of the glass ceiling for those without university degrees will in turn encourage workers to upgrade their skills and give their best at work.

TACKLE SECTORAL DIFFERENCES IN PAY

A large part of the pay gap between university graduates and the rest of the workforce may stem from the disparity in wages across occupations the two groups tend to take up.

For instance, the average monthly earnings of professionals in Singapore were about 2.9 times those of service and sales staff in 2020, a ratio higher than in countries such as Thailand (2.4), the United Kingdom (2.3) and Switzerland (2.0), according to data from national statistical agencies.

Such differences in pay may reflect legacy norms and bargaining power where markets are not perfectly competitive, and firms with market power hold sway over wages and prices.

Thankfully, Singapore has a mechanism to rein in occupational wage disparities: The Progressive Wage Model (PWM) sets out career pathways for workers in lower-wage sectors and occupations, with higher pay corresponding to higher skills and responsibilities. The PWM wage

Reducing the large pay gap between uni grads and non-grads

It will take tackling unfair work practices, narrowing occupational pay differences and a broader focus on heart-hand-head competencies, says Terence Ho.



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schedules reflect negotiated outcomes among tripartite partners for fair and sustainable wage increases over time.

This initiative is being extended to more sectors and occupations with a preponderance of lower-wage workers. Under the PWM, wages for retail assistants, cashiers and others in the retail industry could see a rise of up to 8.5 per cent annually until 2025.

The PWM can also spur the professionalisation of lower-wage jobs by providing employers with greater incentive to train workers and raise productivity. This can partly offset the higher wage costs from the implementation of the PWM. Ultimately, however, society must be prepared to shoulder the cost of having a more equitable wage distribution.

FOCUS ON UPGRADING SKILLS

Efforts to narrow occupational

wage differences and remove the glass ceiling for non-graduates can help to achieve a fairer return on skills investment.

At the same time, there can be no let-up on the national drive to equip workers with skills in demand that will enable them to earn a good living. Accordingly, polytechnic and ITE curricula must be continually updated with input from industry.

Through work-study programmes offered by polytechnics and the ITE, students can acquire on-the-job training at host companies while working towards a degree or diploma. The planned expansion of these programmes will strengthen the nexus between education and work for more students, giving them a head start in their careers.

Even more important are opportunities for continual reskilling throughout one's career,

given the pace at which job and skill requirements are changing. While on-the-job training is critical, companies and workers may also need to invest in periodic retraining at institutes of higher learning or industry training centres to keep the workforce's skills up to date.

Firms must also be given sufficient incentive to invest in developing their local workers rather than rely excessively on foreign manpower. This is why it is necessary to calibrate the inflow of foreign workers into Singapore, including those at the mid-skill level who may compete with polytechnic and ITE graduates for jobs.

Steps taken this year, like the benchmarking of the S Pass minimum qualifying salary against the top one-third of local associate professional and technician salaries by age, will tackle the challenge of low-cost foreign manpower depressing local wages.

The recently announced Manpower for Strategic Economic Priorities scheme, which allows selected companies to hire more work permit and S Pass holders beyond existing quotas, also requires employers to train or hire more local workers, recognising that reliance on foreign manpower cannot be a long-term solution.

DEVELOPING THE HEAD, HAND AND HEART CONCURRENTLY

The persistent pay gap between university graduates and those with technical diplomas and certificates has prompted questions on whether society sufficiently values "hand" and "heart" work relative to "head" work.

We know jobs of the future will require a blend of head, hand and heart competencies. Cognitive or head skills, including the foundational capacity to learn and acquire new knowledge and skills over time, will be even more critical going forward as technology and business cycles shorten.

A core curriculum to develop such capacity in students should not be limited to universities. Recognising so, Singapore Polytechnic has introduced a core curriculum emphasising human and emerging digital skills to develop versatile students well equipped to thrive in an ever-changing world. This initiative, if successful, could be extended to more students in technical and vocational education.

Even in our highly automated world, hand skills remain valuable. People are considerably more dexterous than machines. For instance, robot lawnmowers and vacuum cleaners have difficulty accessing the nooks and crannies of gardens and homes, tasks which are relatively simple for a human being.

The combination of manual skills with knowledge and experience is particularly valuable: Surgeons, technicians, plumbers and pilots will continue to be in demand.

Likewise, there will be jobs for craftsmen as consumers seek exclusivity and distinctiveness in an era of mass production – a reason why home-grown leather craft brands like Bynd Artisan have acquired a significant following. Human creativity will continue to command a premium even as artificial intelligence advances.

Besides head and hand competencies, "heart" skills are critical for the future. The human touch will take on even greater significance in a world dominated by cold technology and is the best guarantor against job displacement.

There will always be a need for human counsellors and healthcare professionals as long as there are patients who seek the care and empathy which a robo-counselor or robo-nurse is unable to provide.

Interpersonal skills, including teamwork and management skills, will likewise remain uniquely human competencies that will be well rewarded in the workplace.

Creativity, empathy and teamwork hold the key to continued relevance for graduates of our universities, polytechnics and ITE. It is up to each individual to find the blend of head, hand and heart skills to make a distinctive contribution at the workplace, and to be rewarded for the unique value he or she brings to society.

Ultimately, what makes us human is also what will keep us employable and well remunerated.

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