

International
comparison of
regulation of
minimum wage
economics essay



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Introduction

This study will discuss the regulation and application of minimum wage between Singapore and Taiwan from the international comparative perspective. Singapore and Taiwan have the same economic background, which have experienced modern industrialization. However, these two areas adopt the different measures to protect workers from exploitation. First, this study will explain minimum wage. Then, the section of minimum wage policy between Singapore and Taiwan will introduce and interpret the minimum wage policy and system. Finally, the conclusion will discuss the differences on minimum wage policy between Singapore and Taiwan.

The Understanding of Minimum Wage

From the perspective of economic theory, the wage is viewed as the prices of labour, which is determined by supply and demand in free market, like the determination of other commodities' price (Hogler, 2003). Minimum wage describes the lowest level of payment employees can obtain by law and regulation. It aims to prevent labour exploitation and poverty. This means minimum wage should offer the sufficient purchasing power to protect the normal and basic standard living of labour.

Minimum Wage Policy between Singapore and Taiwan

Singapore

Singapore is a city-state island country in Southeast Asia. It is the fourth leading financial centre in the world. Moreover, its economy is characterized by a comparatively low unemployment and low inflation rate. Singapore has set an example of transforming from a small country of merely 648 square

kilometres into an economically powerful nation within a short span of time. Referring to the cause of this transformation, Khan (2001) stated that it was the result of the interventionist role of the government in pursuing various economic policies pertaining to industrialization, foreign investment, and trade among others.

In order to avoid the setting back of economic growth by uncontrolled wage increase and potential industrial disputes and wage negotiation between workers and employers, the government set up the National Wages Council (NWC) in 1972 to provide a non-binding wage adjustments guideline, which is in line with Singapore's long-term economic and social development, for skilled workers and are widely followed by employers. This council advises the government in wage related affairs in: (1) assisting in the formulation of general guidelines on wage policies; (2) recommending necessary adjustments in the wage structure consistent with long-term economic development; and (3) advising on desirable incentive systems to promote operational efficiency and productivity in various enterprises (Lim & Chew, 1998). Furthermore, in 1986, NWC set up a subcommittee to reform the existing wage system and a new wage system-Flexible Wage System was introduced (Enterprise One, 2011).

Although wages are determined primarily by market forces, in both the unionized and non-unionized sectors, wage negotiations and wage settlements depend to a great extent on the recommendations of the NWC, particularly when NWC guidelines were quantitative in nature. The NWC provides a platform where employer, union and government representatives express their views in a frank and open manner. It has also instilled

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confidence in foreign investors by setting wage levels at realistic levels identified with the national interest.

The successful experience in having a flexible wage system in Singapore shows the advantage of implementing economic policies in a growing economy. Though the wage system named flexible, in fact, it is also a kind of 'minimum wage system' with the active involvement and influence of the Singapore government in the development of the labour market, real wages and on the growth of employment in Singapore (Richard and Ho, 1990). The labour market offered good working conditions and relatively high wages, which provided a decent standard of living for the workforce with a low unemployment rate (US Department of State, 2003). In evaluating the overall successfulness, other than the factors contributed to the labour, of the flexible wage system, other aspects such as unemployment, income disparity and poverty should be put into considerations.

Taiwan

Taiwan is an island located in East Asia, like Singapore. Taiwan has experienced the quick industrialization and considerable growth. Moreover, Singapore and Taiwan are considered as the 'Four Asian Tigers'.

The Minimum Wage Act in Taiwan was enacted in 1955 and has become one important provision of the Basic Labour Standards Law since 1984. The aim of setting the minimum wage is to maintain the basic living standard of the working group and the concept behind it is to let the whole society to share the cost of maintaining the basic living standard but not just covered by the employers in terms of paying higher market-clearing wages (Wu et al. 1994).

The level of the minimum wage is determined by the annual growth rate of labour productivity and the change in the consumer price index.

To maintain a productive and qualified work force, the government has focused its legislative priorities on workers' rights and welfare, gender equalities, labour-management relations, and health and safety. The Taiwan's government provides special subsidies, assistance, and both cash and non-cash benefits to low-income individuals and families, such as job placement, educational aid for children, stipends during traditional festivals, and child and maternal nutrition programs.

Taiwan is undergoing significant changes in minimum wage and labour regulation. Apart from the new work hour law passed in 2000, several reforms are in the works. The government's focus on generating new jobs is due partly to the economy's slowing growth, as well as the projected reaction to the new work week law. In fact, the minimum wage system in Taiwan has not brought any significant negative effect to the economy and society in terms of unemployment, income disparity and poverty (Wang, 2010; Ministry of Economic Affairs, Taiwan, 2001).

The purpose of implementing minimum wage policy in Taiwan is to avoid exploitation from workers. In fact, the minimum wage policy in Taiwan has protected the workers from exploitation but the workers lack commensurate bargaining power to fight for their real need sufficient for basic living (Chen et al. 2003). However, it also strongly discourages the workers to improve their skills and to look for other jobs.

Conclusion

As the previous mentioned, the regulation of minimum wage is to protect labour from exploitation and provide considerable purchasing power to ensure the basic standard of living of labour. However, Singapore and Taiwan employed distinct measures to ensure minimum wage. After the building of National Wage Council, this council and government established a unique wage system and flexible wage system. Furthermore, flexible wage system is considered as one of the most significant minimum wage policies in Singapore. Minimum wage policies not only protect the interest of labour, but also are dedicated to low unemployment. The minimum wage policy of Taiwan concentrated on the making and implementation of laws on minimum wage yet the establishment and development of effective wage system.