

The Story of NWC



40 YEARS OF TRIPARTITE COMMITMENT AND PARTNERSHIP



TAN CHUNG LEE

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NWCC

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Tan Chung Lee

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MESSAGE

“Singapore has enjoyed harmonious industrial relations for several decades because of the successful tripartite co-operation between employers, unions and the government. This has been a major achievement in our industrial relations. The spirit of tripartite partnership was fostered and strengthened over the years through the National Wages Council which deliberates and formulates annual wage guidelines for implementation. This is a unique system which has served us well and has been our competitive advantage. We should not take the co-operation for granted. We should preserve and strengthen this valuable institution so that it can continue to benefit business, workers/ unions and the economy.”

MR LEE KUANYEW

on NWC and Tripartism (Adapted from his address to the Singapore National Employers Federation (SNEF) Second Assembly of Chief Executives and Employers on 10 July 1996, and his speech at NTUC's 50th Anniversary Dinner on 13 May 2011)

PREFACE



This book – *The Story of NWC: 40 years of tripartite commitment and partnership* – is not just about NWC and wage guidelines; it is also about the evolution of partnership among the three social partners – businesses, unions/workers and the government to bring about economic growth and social progress in Singapore. Through tripartite cooperation, Singapore has also been able to transform its adversarial labour management relations to one that is cooperative and harmonious for the benefit of businesses, workers and the economy.

Riding on the understanding and trust which have been fostered and built up over the years through the National Wages Council, the tripartite partners have also been able to adopt a partnership approach to deal with key employment and industrial relations issues. This partnership approach has been an important vehicle in addressing and overcoming national crisis and has in fact, become Singapore's competitive advantage over the years.

The challenge ahead is how NWC, the embodiment of our tripartism, could ensure that its roles and guidelines remain relevant and able to meet the needs of businesses, workers and the economy in the face of changing economic and employment landscape and to ensure that this valuable asset and competitive advantage could continue to contribute to Singapore's economic and social progress.

This book gives an insight into the roles played by the representatives of the three social partners in the council, how the guidelines were formulated and negotiated, as well as the implementation of the guidelines by companies, trade unions and the Ministry of Manpower, including the Industrial Arbitration Court for the purpose of conciliation and arbitration of wage disputes.

I hope that, through this book, Singaporeans particularly those who are involved in managing industrial relations and human resources, could better understand and appreciate the work of NWC and the role played by the tripartite partners in working together to deal with key employment and industrial relations issues as well as national crises. Industrial harmony and tripartite partnership must not be taken for granted and should further be strengthened so that they could continue to contribute to our favourable investment climate for economic growth, job creation and a better life for Singaporeans.

I would like to take this opportunity to thank those who have given their views and inputs to this book, particularly the tripartite secretariat team, who has put in many months of work to ensure that this book is published.

PROFESSOR LIM PIN
*Chairman,
National Wages Council*



The first National Wages Council meeting was held on 18 February 1972. Professor Lim Chong Yah (in coat and tie, facing the camera) was flanked on either side by four staff members of the Economic Development Board serving as the Council's Secretariat.

CHAPTER 1

How it all started

The year was 1972. Singapore had its first-ever National Wages Council (NWC) – formed when it was enjoying an unprecedented period of economic growth and development, starting from the late 1960s. A decade earlier, though, it would have been difficult to imagine such a thriving state of development.

The 1950s to early 1960s were tumultuous times in the years preceding Singapore's attainment of self-governing status from Britain in 1959 and later as an independent nation in 1965.

It was a period characterised by labour unrest, with constant strikes, work stoppages, riots and general lawlessness, resulting in economic stagnation. In 1955, for instance, 275 strikes took place at a cost of close to a million man-days. The situation persisted into the 1960s.

Apart from demands for better wages and working conditions, there was a political dimension to all the strife as the trade unions had also been dominated by communist activists who were using them for their own partisan agenda.



OPPOSITE:
In the Hock Lee bus riots in 1955, workers from the Hock Lee Amalgamated Bus Company went on strike to protest against poor working conditions, long work hours and low pay.

ABOVE:
Green Bus Company strikers at Bukit Timah.

BELOW:
Singapore Harbour Board Staff Association strikers outside the Labour Ministry office in 1955.

But in the mid-1960s, the pro-communists were ousted and labour-management relations entered a different phase. They became increasingly less confrontational with fewer work stoppages occurring.

NEW ERA FOR LABOUR – INDUSTRIALISATION

This change in approach was, in a sense, born out of necessity. It began when a self-governing Singapore in 1959 embarked on the path to industrialisation almost immediately after. It was, for then Prime Minister Lee Kuan Yew, whose People's Action Party (PAP) had been voted into power, the key to its survival. As a small island lacking natural resources, it could not rely solely on its traditional entrepôt trade to grow its economy. A strategy of rapid industrialisation to attract foreign direct investment was adopted with a view to achieving economic growth and creating jobs for Singaporeans.

To kickstart the programme, the Economic Development Board (EDB) was formed in 1961 to formulate policies aimed at pulling in multi-national corporations to set up factories in a newly-created Jurong Industrial Estate carved out of swampland on the city-state's west coast.

However, worried that frequent labour disputes might de-stabilise Singapore, the government sought to create a favourable business climate that would be conducive to foreign investments. In 1960, it passed the Industrial Relations Ordinance to regulate collective bargaining and the settlement of disputes through conciliation and arbitration.

At around the same time, the labour movement underwent changes with a split in 1961 of the Singapore Trade Union Congress into the left-wing Singapore Association of Trade Unions (SATU) and the non-communist National Trades Union Congress (NTUC), which was largely supported by the government. A general strike staged in 1963 by the pro-communist SATU against the government led to its being banned and many of its leaders arrested. With SATU's collapse, NTUC became the sole umbrella organisation for trade unions.



In August 1961, the Economic Development Board held its first business meeting at its temporary offices on the third floor of the Fullerton Building.



LEFT and BELOW RIGHT:
In 1964, Singapore's then Prime Minister Lee Kuan Yew (extreme right); Yang di-Pertuan Negara Tun Yusof bin Ishak (second from left); and the Economic Development Board chairman, Hon Sui Sen (extreme left), toured Jurong Industrial Estate. Accompanying Mr Lee on the tour were Mrs Lee and their three children (below right).

BELOW LEFT:
In February 1964, then Minister for Finance Goh Keng Swee attended the foundation stone ceremony of the new \$23 million Jurong Shipyard Ltd.

BELOW MIDDLE:
In August 1963, then Minister for Finance Goh Keng Swee visited the National Iron and Steel Mills, which produced steel ingots. It was the first factory in the Jurong Industrial Estate to start production. The \$12 million mill, which was financed by two local merchant houses and the Economic Development Board as the minority shareholder provided direct employment to 400 workers.



SINGAPORE'S SURVIVAL AT STAKE

In September 1963, Singapore gained independence by becoming part of the Federation of Malaysia along with Malaya, Sabah and Sarawak. Its future seemed assured by membership within a larger political entity that could at the same time provide a hinterland for its developing economy.

But that was not to be as, two years later, Singapore had to stand on its own again when it separated from Malaysia in August 1965.

That proved to be a turning point in the country's fortunes, politically and economically. A couple of months later, in October, then Prime Minister Lee made it clear in a speech to trade union leaders that the days of labour disruption were over as Singapore's survival as an independent nation was at stake. It was time for the unions to re-assess their industrial relations role and play their part in ensuring stability and making Singapore attractive to foreign investors.

In its efforts to draw overseas capital, the government went all out to improve the investment climate by making changes to labour regulations. It introduced, in 1968, a new Employment Act and made amendments to the Industrial Relations Act.



On 27 July 1965, Mr Lee warned leaders of the 15,000-strong public daily-rated Employees Unions Federation and National Trades Union Congress that the workforce would have to show discipline. The unions had been demanding a revision of the wage structure and backpayment of wage increases under a wage agreement of 1961. But Mr Lee said he could not agree to granting the back pay as that "would bankrupt the government".

The Employment Act sought to standardise the conditions and benefits of employment for all employees, regardless of whether they were in white-collar jobs or engaged in blue-collar work. Previously, both sets of employees were subject to different terms and conditions as they were governed by separate ordinances. The standardisation of work regulations, which applied to all except those in managerial, executive and confidential positions, was to make the costs of running a business more predictable for investors.

The changes made to the Industrial Relations Act also had far-reaching effects. The Industrial Relations (Amendment) Act of 1968 addressed issues relating to the rights of employers to promote, transfer, dismiss and retrench with valid grounds – issues that were often at the root of industrial disputes. By excluding these issues from collective bargaining, the number of work disputes declined significantly.

LABOUR MOVEMENT MODERNISES

To help ensure that industrialisation could take off, the labour movement shifted from adopting a confrontational approach to one of cooperation and other new ways of enhancing the welfare and well-being of workers. At the Modernisation of Labour Movement Seminar in November 1969, then Minister for Finance Goh Keng Swee exhorted unions to evolve to serve their members better by establishing cooperatives and improving their welfare through other means. It was a call that led to the setting up of NTUC Income to provide insurance coverage to their members and NTUC Welcome supermarket (now NTUC FairPrice) as a consumer cooperative. NTUC's founding father Devan Nair, who led the seminar, also urged unions to reshape their relevance to society.

Also speaking at the seminar, then Labour Minister S Rajaratnam called on the unions to "abandon a combative mentality and to regard

Goh Keng Swee and Devan Nair at a seminar entitled Modernisation of the Labour Movement, organised by NTUC in November 1969.





Then Finance Minister Goh Keng Swee addressed the crowd at the Modernisation of Labour Movement seminar held from 16 to 19 November 1969.

national interests as paramount.” Singapore, he said, was responsible “for her own national economy” and “national welfare”.

Spurred on, the labour movement shifted its focus, abandoning the confrontational approach of the past to one of cooperation with management and looking at new ways to enhance the lives and welfare of workers.

CALL FOR TRIPARTISM

In 1972, as NTUC’s then secretary-general, Mr Nair expounded on the need for tripartism. As it was no longer feasible to maintain the previous combative stance vis-à-vis employers, he called on trade unions to shoulder the responsibility for workers’ performance as part of a new integral system of industrial relations.

He said that the new system was one in which “entrepreneurs and workers form part of a larger whole, bound together by a function of solidarity leading to a productive as well as psychological interdependence”.

His statement was welcomed by employer groups which agreed that unions should no longer be considered to be bargaining tools nor should their workers be considered a “commodity in the labour market.”

WHY THE NEED FOR A NATIONAL WAGES COUNCIL?

As the days of labour strife abated and with political stability, Singapore was able to forge ahead with its economic development. The late 1960s and early 1970s were boom times as the city state enjoyed high economic growth. Prior to this, there was high unemployment with low wages and poor working conditions. As more jobs became available, the unemployment rate fell – from 7.3 per cent in 1968 to 4.9 per cent in 1971 – and wages went up significantly.

Soon there was a tightening of the labour market as there were more jobs available than people to fill them and some 100,000 foreign workers had to be brought in to ease the shortage. With increasing prosperity, it was considered a matter of time before employees and their unions would set their sights on getting a bigger share of the economic gains.

In the past, wage and benefit negotiations in Singapore were carried out by individual trade unions with companies in which its members were employed. Such collective bargaining between the two parties would lead to the signing of a collective agreement that would spell out the terms and conditions of service of employees, the benefits they would enjoy, the wages they would get and how much increase they would be entitled to each year. How the agreements turned out often depended on the bargaining strengths of both parties and the ability and willingness of the employer to pay. There was little regard for the bigger picture of economic sustainability.

NEED FOR ORDERLY WAGE INCREASE

Amid fears that Singapore’s growing prosperity might cause a clamour for excessive wage increases resulting in wages spinning out of control, the idea of having a wage regulatory system took root.

It was Singapore’s chief economic advisor, Dr Albert Winsemius, who first mooted the idea of having a national wages council that would not only regulate wages but would also give advice on how to enhance market

efficiency, productivity and human resource development. In addition, he felt it was imperative to put in place a flexible wage system that could respond to changing economic circumstances.

The Dutch economist had first arrived in 1960 under the United Nations Development Programme to survey Singapore's industrialisation potential and come up with an economic development strategy.

In his view, a national wages council should not just focus on wages but it "should cover the whole field of cooperation between management and employees, sickness, their shift work, night work, health situation, to cover the whole thing. Anything that can be done and agreed between employers and unions should be done by them. Only when they can't agree, (the) government has to do it."



In 1960, a seven-man team of United Nations technical experts, led by Dr Albert Winsemius (centre), a Dutch industrial economist, arrived in Singapore to conduct a three-month feasibility survey of the state's potential for industrial expansion.

SETTING UP OF WAGE COUNCIL GARNERS SUPPORT

A similar call for a "tripartite consultative machinery at the national level" for wages had also been voiced by then retiring chairman of the Singapore International Chamber of Commerce, S FT B Lever, in his farewell speech in April 1971. Through this machinery, he said, "the three cooks of the national cake (employees, government, employers)" could evolve "guidelines for rationalising and improving working conditions, including wages" through views that could be "freely exchanged and mutually understood".

Apart from the International Chamber of Commerce, the Singapore Employers Federation (SEF) had also been studying the feasibility of having a wages council for some time.

Two months later, speaking at a Singapore Manufacturers Association (SMA) dinner on 19 June 1971, then Finance Minister Hon Sui Sen floated the

Guidelines for the NWC revealed

Before the first NWC meeting was called, its newly appointed chairman, Professor Lim Chong Yah, then dean of Arts and Social Sciences at the University of Singapore and head of its Economics Department spoke of the guidelines that would govern Council discussions.

In an interview with *The Straits Times* on 12 February 1972, he said that the Council would be asked to consider "introducing minimum and maximum wage increases over the next five years".

He said: "The overriding factor is the overall interests of Singapore, long-term as well as short-term interests," adding that "nothing must be allowed to impair the continued growth of the Singapore economy."

He also revealed that "all paid occupations and professions including the civil service pay structure would come under the Council's purview" and that it would look into not just salary trends for the nation but also for each major sector and industry. Thus, the Council's deliberations would be affecting Singapore's entire working population then of half a million.

Stressing that the NWC would not be involved in any particular wage negotiations between unions and management, he also mentioned on his wish list for the Council to look into narrowing the gap between the higher income groups and lower income groups. He emphasised: "Equitable income distribution should be consistent with continued rapid income growth."

concept of a wages council. He said that with full employment, “wages and benefits will have a tendency to rise. It will be necessary to devise bonus and incentive schemes or establish wages councils wherein increases in wage costs on an industry basis can be coolly considered in the interest of both employers and workers, and of the public represented by the government.”

Mr Hon’s speech was well-received by trade and industry leaders. Indeed, they saw in a wages council a means of stabilising the employment market while keeping production costs down so as to be fully competitive in the labour market. The idea was fully endorsed by the SMA. Its then chairman Lim Hong Keat said that a wages council could help establish guidelines for each type of industry and trade. If the government could take the lead, he said, “the process could be quickened”.

By 1972, Singapore had reached full employment and was in the grip of a tight labour market with wage costs rising. There was a real danger that with a shortage of labour, wage increases might spiral out of control and cause industrial disputes that might frighten off foreign investors thus affecting the overall economy. Clearly, something had to be done.

“The three cooks of the national cake (employees, government, employers)” could evolve “guidelines for rationalising and improving working conditions, including wages” through views that could be “freely exchanged and mutually understood.”

S F T B Lever

Former chairman, Singapore International Chamber of Commerce, in his farewell speech

THE SETTING UP OF NWC

And so, on 7 February 1972, it was announced that a National Wages Council (NWC) would be set up as an advisory body on wage adjustments.

Three representatives each from the labour movement, employer groups and the government would serve as members of the Council, which would be headed by an independent chairman.

The mission of NWC was to ensure orderly wage increases and establish wage guidelines for the economy.

NWC’s terms of reference

The terms of reference, later drawn up for the NWC and which have since served as its guiding principles, were:

- 1 To assist in the formulation of general guidelines on wages policy
- 2 To recommend necessary adjustments in wage structure, with a view to developing a coherent wage system consistent with long-term economic and social development
- 3 To advise on desirable incentive systems for the promotion of operational efficiency and productivity in various enterprises

On answering a national command

Emeritus Professor Lim Chong Yah at Nanyang Technological University (NTU) recalls clearly how he was asked to head the NWC back in 1972.

“I was invited to meet I F Tang, then chairman of EDB, and P Y Hwang, then a director at EDB at the now defunct Adelphi Hotel.

“During the course of lunch, they told me that I had been selected to be the chairman of the NWC.

“I tried to decline as I had my work at the university to think of, where I had to teach and publish. Try as I might, I could not decline. Apart from the two gentlemen being very persuasive, they also said the government had decided that I should be the chairman. It was almost like a command so I said ‘yes’ and took the appointment as a kind of public service.

“So the NWC became my baby. It was my job to look after it well and to see it grow.”

On looking back, Professor Lim reckoned that another factor which nudged him to accept the appointment was the challenge of starting the NWC from scratch.

“I was not given any brief on what to do, except that the NWC would be about wages and wage-related matters.

“Here was an organisation with no rules set and I was free to chart its direction. This appealed to me even though it was a challenge.”

His first task upon being made chairman was to research on how national wages councils worked elsewhere. He said: “Since I was not given any briefing, I tried to find out whether any country had a similar wages council, so that I could find out what their experiences were. In those days, there was no Internet and I only managed to find out that Sweden had a national wages council for a brief period but it was disbanded after some disagreement over its modus operandi after only a few months. That was of no help – I had to find my own way.”



Professor Lim Chong Yah, the University of Singapore's dean of Arts and Social Sciences and head of the Economics Department was appointed chairman of the new National Wages Council in 1972.

As he saw it, he said, the NWC would make regular wage adjustments. “There would be wage increases in an orderly manner without giving rise to disagreement, discontent and disputes.” It was only much later, Professor Lim revealed, that the NWC was given some terms of reference, which were drawn up by then Special Advisor to the Ministry of Labour Dr David Chew. He outlined the brief as “promoting orderly wage adjustments consistent with productivity growth and in a way conducive to sustainable economic growth. It would be growth with equity or what we would call today, ‘inclusive growth’.

“What I also had to do was to promote symbiosis and mutual cooperation among the social partners – the employers, trade unions and the government – within the Council.”

“Here was an organisation with no rules set and I was free to chart its direction. This appealed to me even though it was a challenge.”

Professor Lim Chong Yah



Singapore in the 1970s.

CHAPTER 2

Structure of the National Wages Council

COMPOSITION OF NWC

When NWC first began, there were only nine members, three each representing the employers, the unions and the government – the three social partners in a newly minted tripartite institution.

Over the years, its composition changed, with more members added to the committee to reflect a growing and more diversified economy.

In its first year, for instance, representation of the employer groups was drawn from the Singapore Employers Federation (SEF), the National Employers Council (NEC) and the Singapore Manufacturers' Association (SMA). The unions were represented by NTUC, which also had three representatives, while the government's interests were looked after by the Ministry of Labour, later renamed Ministry of Manpower (MOM) in 1998, the Ministry of Trade and Industry (MTI) and the Economic Development Board (EDB).



Union representatives stating their position at the 1992 NWC meeting.

In 1980, SEF and NEC amalgamated to form a single employer organisation, the Singapore National Employers Federation (SNEF), and in the following year, the number of representatives serving on the NWC from the management side increased to five. The representatives were now drawn from SNEF, the Singapore Chinese Chamber of Commerce and Industry, the American Business Council, the Japanese Chamber of Commerce and Industry, and the German Business Group.

Twenty years later, in the 1992/1993 NWC Council, there were 14 full members – five from the employer groups, five from the unions and four from the government – as well as 15 alternate members with six representatives drawn from the employer groups, five from the unions and four from the government.

Into its 40th year, a quick look at the 2012/2013 NWC Council reveals a total of 34 members, made up of 17 full and 17 alternate members.

NTUC's secretary-general Lim Swee Say observed: "The idea behind NWC representation is that no one party should dominate it. The NWC is meant to be an equal platform for tripartite partners."

COUNCIL SIZE MATTERS

As MOM's divisional director, Labour Relations and Workplaces Division, Then Yee Thoong, who also served as the NWC secretary from 1988 to 1995, explains, "while the idea is not to have too large a Council that it gets too unwieldy to manage", at the same time, the Council tries to accommodate different groups of interest as widely as possible. He pointed out that "traditionally, in the 1970s and 1980s, NWC has been kept small" but with an expanding economy, it has inevitably become larger.

All appointments, which are done annually, are made by the Minister for Manpower, based on nominations submitted by the unions and employer groups.

The chosen representatives from labour, employer and government are all leaders in their field, holding high-level appointments – for good reason. For one, for NWC to succeed, it needs the support of labour and business leaders. For another, labour and business leaders are elected to represent the interests of their constituents. What's more, they would have a wider outlook of concerns within the groups that they represent and bring this to the negotiating table.

Thus, the employer representatives tend to be the president, chairman or council member of various employer organisations while the union representatives hold the posts of president, general secretary or executive secretary in their respective unions. Besides, especially among the employer representatives, they would be captains of their respective industries and even employers themselves running their own companies and so it was easy for them to speak up for businesses.

As for the government, the members serving on NWC are at the permanent secretary, divisional director or chief executive level, drawn from MOM, MTI, EDB, Public Services Division (PSD) and Singapore Workforce Development Agency (WDA).

APPOINTMENT OF NWC MEMBERS

“All NWC appointments, including the chairman, were forwarded to the cabinet for information,” remarked NWC’s first chairman Professor Lim Chong Yah. “As far as I remember, there was never any objection to the names that were put up by the tripartite partners.

“However, before the names were put forward, I did object on one occasion to a representative nominated by a foreign chamber of commerce, for the reason that the representative was an ordinary employee of the organisation. I felt that he would not have the kind of authority that an elected president or chairman would have to speak on the organisation’s behalf. For me, the representatives of employer groups had to be at the level of president or chairman or a very senior office-holder for their participation in NWC discussions to carry enough weight.”

Professor Lim Chong Yah conceded that it was not always easy for employer groups to select representatives to NWC. In the first place, there would be constant changes of representatives due to changes in country assignments if they were representing foreign national chambers of commerce. And unlike representatives from the government and the unions for whom being in NWC is part of their work, the job of top executives of multinational corporations posted to Singapore was to look after the company’s interests and run its operations “rather than help an organisation like the NWC to run Singapore’s affairs”.

In the early years, the meetings were often long and would take up a great deal of their time. For this reason, he said, it was admirable for some long-serving members like SNEF’s president Stephen Lee to spend so much energy and time on NWC. “I was really grateful for his devotion to the Council’s affairs, as the employers’ spokesman.”

It is of interest to note that, as a political appointee, the Minister for Labour (later Manpower) has never sat on NWC. The secretary-general of NTUC,



NWC 2012/2013 representatives.

who since the 1980s also holds a ministerial position (in the Prime Minister’s Office) is represented in NWC by other key leaders of the decision-making central committee of NTUC – the president and deputy/assistant secretary-general.

NTUC’s former secretary-general Lim Boon Heng put it this way: “In our culture, if a minister sits on a committee, some people might hold back. How will a civil servant speak up if someone of ministerial rank sits on the same committee? His presence would impede frank discussions.”

However, as Lim Swee Say points out, “this does not mean that the Manpower Minister and the secretary-general are kept out of the loop of deliberations”. In fact, they have been known at the right times to exert behind-the-scenes influence.

Indeed, former Minister for Labour, and later, Minister for Manpower from 1992 to 2003, Dr Lee Boon Yang, described how he was able to keep in touch with the goings-on in NWC and helped steer discussions to a desirable outcome.

He explained: “Even though I was not a member, I did not feel removed or detached from the annual NWC process. I was very involved indirectly. From the ministry, I remember we had Ong Yen Her, the director responsible for labour relations, as our lead representative. The way I worked was to get regular updates from Yen Her and to discuss with him and the ministry’s permanent secretary on what were the proposals being considered and the more difficult aspects of the year’s deliberations.

“We would then map out a strategy of how these issues could be resolved in a fair and equitable manner. Yen Her would then set about to explain the issues and propose solutions for the NWC to consider at its meetings. There were many long discussions and ultimately, the NWC had to forge a consensus.

“So while my involvement was indirect, I would like to say that it had some impact on the discussions leading to a consensus. Certainly this was not a situation where as minister, I could just issue a directive, say on a CPF cut. Doing so would have eroded the standing and credibility of the NWC. Unions will not buy into such a decision and wage negotiations would not be so smooth.”

HOW THE UNIONS SELECT THEIR REPRESENTATIVES

For the other union representatives serving in NWC, NTUC’s president emeritus John De Payva, who has served 23 years on the Council (since 1988 in the capacity of secretary-general of the Singapore Manual & Mercantile Workers’ Union and as president of NTUC from 1997 to 2011), notes that they are drawn from all three sectors that the unions cover – services, public and industrial – to encompass all employees.

“We have no less than 60 unions within the NTUC with a total membership covering a workforce of 700,000 and it is not possible to have them all represented. So to determine fair representation, we use the principle of desired equal representation,” explains Mr De Payva. “Also, our nominated representatives are part of the NTUC Central Committee.

“In some years, we will change the representation although the bigger unions with higher membership would generally have to be involved every year.”

SELECTION OF EMPLOYER REPRESENTATIVES

While choosing the union representatives for NWC is more or less a straightforward affair for NTUC, given the nature of its more cohesive grouping, the same cannot be said for the employer representatives.

In fact, employer groups are quite disparate, with each representing different interests, ranging from type of industry to whether businesses are home-grown or foreign.

Until the 1980 merger of SEF and NEC to form SNEF, there was no single grouping of employers. Since then, SNEF, which has 2,700 members employing some 700,000 workers and covering a wide spectrum of industries, both locally-owned and foreign, has been recognised as the voice of employers, taking on the leadership mantle for management as a whole.

“This may be because our focus has always been on industrial relations, which is recognised as our core competence,” explains SNEF’s executive director Koh Juan Kiat. “But don’t forget, many of our members are also members of other employer organisations.”

SNEF President Stephen Lee is the longest serving member in the NWC – since 1978 – and he is acknowledged among the union, government and employer groups alike, as the spokesman for employers.



Union representatives with NWC chairman Professor Lim Pin.

Mr Lee believes SNEF was expected to take the lead not only because of its greater expertise in industrial relations but also because the federation makes it a point to consult other employer organisations on issues and gather their feedback so that a common stand could be taken and presented at the NWC negotiating table as the position of employers.

Since 1980, the American Chamber of Commerce (AmCham), Japanese Chamber of Commerce & industry (JCCI), and the Singaporean-German Chamber of Industry and Commerce (SGC) have consistently been represented in the NWC.

The vice-president of SGC Alexander Melchers, who is also a SNEF vice-president explains: “Most of Singapore’s investments come from Europe, the US and Japan; in fact, the three chambers of commerce at the NWC represent 60 per cent of investments in Singapore. The rest comes from other parts of the world.”

Expanding on the importance of having foreign interests represented, Mr Melchers added: “Multi-national corporations (MNCs) can give valuable



Employer representatives with NWC chairman Professor Lim Pin.

“Multi-national corporations (MNCs) can give valuable input as they are continuously comparing Singapore to other investment destinations. Therefore, their input continues to be very important so that Singapore stays competitive and reacts quickly.”

Alexander Melchers

Vice-president of the Singaporean-German Chamber of Industry and Commerce

input as they are continuously comparing Singapore to other investment destinations. Therefore, their input continues to be very important so that Singapore stays competitive and reacts quickly.”

In 2002, the Singapore Business Federation (SBF) was also invited to join NWC. Formerly the Singapore Federation of Chambers of Commerce and Industry (SFCCI), the SBF had just been established through the SBF Act 2001 as an apex chamber to bolster the business community by representing and advancing its interests, both in Singapore and abroad. Representing the top 15 per cent of Singapore’s business community, SBF is now a key member of NWC.

It is the Minister for Manpower who picks the employer groups which then nominate their own representatives to the Council. Apart from the major foreign national chambers, the inclusion of the three ethnic chambers of commerce (Chinese, Indian and Malay) ensures that employers are well represented in NWC.

THE GOVERNMENT’S NWC REPRESENTATIVES

As for the government, its role in NWC is that of an economic planner and as an employer for the public sector. Its representatives in NWC are drawn from MOM, MTI, EDB and Public Services Division (PSD).

MOM, says its permanent secretary Loh Khum Yean, serves in NWC as the third leg of the tripartite partnership. He elaborated: “In wearing this hat, the role of government is actually to forge a common consensus between the unions and employers as to what makes for a reasonable and robust position to adopt every year as far as guidelines are concerned.”



Then Prime Minister Goh Chok Tong at the launch of the Singapore Business Federation (SBF) at Ritz-Carlton Hotel in 2002.



NWC 2012/2013 government representatives.

“We have to help ensure that the unions and employers come up with solutions that are fair to both sides and benefits the country in the long run. The government’s view is long term while that of the unions and employers tend to be short term. So we have to balance the two.”

Ong Yen Her
Senior Director,
Labour Relations and Workplaces Division,
Ministry of Manpower

Representing the economic side is the permanent secretary of MTI and the managing director of EDB.

On the other hand, the permanent secretary of the Public Services Division represents the government as an employer, hiring some 120,000 workers in Singapore.

Additionally, in its role as a tripartite partner in NWC, the government also acts as a mediator and facilitator. Explains MOM’s senior director, Labour Relations and Workplaces Division, Ong Yen Her, who has served in the NWC for 25 years: “We have to help ensure that the unions and employers come up with solutions that are fair to both sides and benefit the country in the long run. The government’s view is long term while that of the unions and employers tend to be short term. So we have to balance the two.”

WHY THE NEED FOR ALTERNATE MEMBERS?

Since 1979, representatives serving in NWC have been divided into two categories: full members and alternate members.



The first National Wages Council meeting was held on 18 February 1972.

NWC’s inaugural meeting was a “getting to know you” session

When the first historic meeting of NWC took place on 18 February 1972, it was apparently more of a “getting to know you” session. Indeed, for some of its members, it was the first time that they were being acquainted with one another.

The session was convened in the Board Room of the Economic Development Board in the afternoon. After the introduction of the 10 members – three each drawn from the employer groups, NTUC and the government – including the chairman Professor Lim Chong Yah, the meeting was called to order at 2.45 pm and “the doors closed to the press and the public,” according to a *Straits Times* report of 19 February 1972. NWC meetings have been closed-door sessions from Day 1.

When asked to explain why, Professor Lim Chong Yah had this to say: “... the meetings of the NWC will be closed to the Press. We love the Press, but we also value cool unrestricted, unhampered freedom to deliberate, to exchange views, and to argue if necessary, to arrive at accommodations based on cold solid logic, real hard facts and carefully considered judgement.”

The first NWC meeting kicked off after the introductions with discussions on the terms of reference for the Council and the availability of data.

The main reason for appointing alternate members, says Mr Then, was so that they could fill in for the full members in case they could not be present. Since the alternate members would need to be kept in the loop with all the goings-on and be familiar with the stance of the full member they were standing in for, alternate members attend all NWC meetings.

“Full and alternate members participate in meetings in terms of speaking with the same voice,” observes Mr Then. “Besides, alternate members also contribute to the discussions at every meeting.”

THE ROLE OF THE NWC CHAIRMAN

To ensure NWC’s neutrality, an academic was appointed as its chairman. The first chairman was an eminent professor of economics, Professor Lim Chong Yah, then head of the University of Singapore’s Economics Department – who served for almost three decades from 1972 to 2000, before handing over the post to yet another prominent academic Dr Lim Pin, a professor of medicine and a former vice-chancellor of the National University of Singapore (NUS).

The role of the chairman, an appointment made by the cabinet, is, in the words of Professor Lim Chong Yah, “to act as a referee and a helper.”

Professor Lim Chong Yah revealed, however, that the cabinet’s choice of chairman has to be first accepted by both the unions and the employers.

Unlike the other members of NWC, the chairman has no constituents to defer to. In other words, he is completely independent, without any leanings towards labour, employers or the government. “He cannot be anti-employers, he cannot be anti-unions and he cannot be anti-government,” stressed Professor Lim Chong Yah. Only the welfare of the nation was paramount.



Guests raised their glasses in celebration of Professor Lim Chong Yah’s (right) convocation as ‘Emeritus Professor’ of Nanyang Technological University at the Raffles Hotel Ballroom on 24 August 2012. The new appointment is the highest honour for a professor in the university.

Such neutrality has helped to cultivate a non-adversarial approach to problem solving. The absence of bias towards any one of the three social partners makes the chairman a trusted mediator and go-between whose objective is to get the tripartite partners to come to an agreement on issues put forward before NWC. And if circumstances warranted it, Professor Lim Chong Yah said that he had, on a few occasions, “proposed lines of action”.

He points out that the role of the chairman is to “identify the areas where all the three parties share a common interest and have more or less a common view and are prepared to implement the recommendations once they are formulated and announced by the NWC.”

In his 29 years presiding over NWC, Professor Lim Chong Yah has undoubtedly helped to define the role of the chairman and even stamped his personality on it.

CHANGES IN COUNCIL MEMBERSHIP

Over the past 40 years, apart from increasing the size of its membership due to an enlarging economy to cater to more groups and interests, NWC has also, understandably, seen changes in the representatives appointed to act for the tripartite partners.

Some changes are inevitable, such as when a representative of a foreign national chamber of commerce completes his assignment and leaves Singapore, while others may be due to administrative change, for instance, when a new permanent secretary is appointed to MOM or MTI.

While such changes have an upside in that it brings in new blood and thus new perspectives into NWC, there is also a downside. Long-serving



Professor Lim Pin with union leaders at an STF event.



Professor Lim Pin (second from left), chairman of NWC, spoke at a press conference in 2011. Also present were (from left) Ms Josephine Teo, then NTUC assistant secretary-general; Stephen Lee, president of SNEF; and Loh Khum Yean, permanent secretary of MOM.

members have conceded that familiarity with each other, built over time, has tended to make it easier, as years go by, to achieve consensus. “This is particularly true for the leadership positions, comments SNEF’s president Mr Lee. “Dealing with the same person heading each of the three partnerships over time helps to strengthen relationships. This is useful when it comes to working together, especially during times of economic downturn.”

What’s more, long-term members would have imbibed the principles of NWC and during discussions, would always keep in mind the Council’s original purpose, which is ensuring orderly wage increases, which new members might miss.

Still, the fact that the same chairman has presided over the Council – the first for 29 years and the current one for 11 years – has lent stability and continuity to discussions and ensured that members did not deviate from the NWC’s main goals.

“Dealing with the same person heading each of the three partnerships over time helps to strengthen relationships. This is useful when it comes to working together, especially during times of economic downturn.”

Stephen Lee
President
Singapore National Employers Federation

THE SETTING OF NWC

It may not seem obvious but where the meetings of NWC are held play an important part in ensuring an equitable outcome for all its representatives.

The meetings take place away from the glare of publicity and are held behind closed doors. The closed-door discussions away from the public eye also means that participants can be frank with each other and takes away the need to “look good” in the eyes of their constituents by maintaining aggressive and rigid standpoints just to score points.

The board room of the Economic Development Board was originally used to hold the meetings of the NWC and later, by rotation, each of the social partners would take turns to host. This was in the spirit of “joint responsibility, cooperation and tripartism,” said Professor Lim Chong Yah. However, as it turned out, this occasionally caused confusion and there were many a time when some “absent-minded” NWC members (“not the chairman, even though he is a professor”, chuckled Professor Lim) turned up at the wrong place.

To prevent such occurrences, it was decided that all NWC meetings would then convene in a dedicated function room at the Ministry of Labour (now MOM) at the ministry’s headquarters on Havelock Road. Noted Professor Lim: “The NWC finally had a home, instead of many homes.”

THE NWC SECRETARIAT

While that may be true for NWC as an institution, the same cannot be said of the NWC Secretariat.

As Professor Lim Chong Yah puts it, while there is an NWC secretary and assistant secretary forming the Secretariat, “there is no building called NWC building, where the NWC Secretariat is housed.” He added: “Foreign visitors sometimes find it difficult to understand this lack of conspicuousness or identification symbol.”

However, he said that the need for a physical home to house the Secretariat does not arise simply because the members of the Secretariat are not full-time officials doing NWC work; rather, this forms part of their other official duties.

At the inception of NWC, EDB provided the functions of the Secretariat. This was later transferred to the Ministry of Labour (now MOM), which is also responsible for preparing the recommendations of NWC for the cabinet's approval and monitoring the implementation of the NWC guidelines.

THE MULTI-FACETED ROLE OF THE SECRETARIAT

The NWC Secretariat is headed by a part-time secretary who works full-time at MOM.

“A secretary's role is more or less administrative,” explains MOM's divisional director of Labour Relations and Workplaces Division, Then Yee Thoong, who served as the third secretary, heading the NWC Secretariat from 1988 to 1995.

“The job involves fixing the dates of meetings and duly informing the members, and on the due date, making sure the correct people turn up. There is a lot of work; getting diary dates are the most difficult as the members are busy people and not always in town at the same time.

“The secretary also assists the chairman in drafting notes of the meetings, the points of agreement and supports the drafting committee in coming up with the guidelines.”

Mr Then also points out that the secretary is not officially a member of NWC, participating in discussions only when called upon. Nor is the post an official appointment of NWC. He said: “The ministry in charge, in this case, MOM, appoints the secretary.”

Professor Lim Chong Yah added that the NWC Secretariat has always been and “must remain a neutral body. It must, however, be pro-Singapore, pro- employers, the trade unions and the government.”

TIMING OF THE MEETINGS

Traditionally, NWC meetings are held from April to May and NWC recommendations are announced before July. This is due to the validity period of the NWC guidelines, which is from July in the current year to June of the following year. After 40 years, there has been no change in the schedule.

Mr Then mused: “Over the years, there have been expressions of why the meetings have been timed as such since the bonuses paid to employees are at the end of the year and the financial year of most companies are either the calendar year from January to December or from April.

“When this was put to Professor Lim Chong Yah, he said that when the first NWC meeting was convened, it was around April and it was felt that there was no need for change.”

The National Wages Council in its first year

The first NWC to convene in 1972 comprised the following representatives:

From the management side, they were J D H Neill of the Singapore Employers Federation; Richard Y J Lee of the National Employers Council and Lim Hong Keat of the Singapore Manufacturers' Association.

Representing the unions were officials of the National Trades Union Congress: C V Devan Nair, Phey Yew Kok and Professor T H Elliot.

The government representatives comprised the permanent secretaries of the Ministry of Finance and Ministry of Labour, or their deputies, and the chairman of the Economic Development Board. Sitting on behalf of the Ministries of Finance and Labour were their respective permanent secretaries G E Bogaars and Kwa Soon Chuan. The chairman of EDB then was P Y Hwang.



Professor Lim Pin (second from right) giving a welcome address to the members of NWC in 2012.

CHAPTER 3

The workings of NWC

The NWC traditionally begins its round of meetings in April, which are usually wrapped up by June in time for its guidelines to take effect from 1 July to June the following year.

PUBLIC VIEWS INVITED

Before the meetings kick off for the year, an invitation is issued usually in late March to members of the public to contribute their views and feedback. Publicised through the daily press and on the government website, the public is given a fortnight to respond. In the early years of NWC, the response would be in the form of letters; these days, it is more often done through e-mail.

Whatever the feedback channels, some 20 submissions are received each year, on the average, addressed to the secretary of NWC at MOM.

ALL VIEWS ARE CONSIDERED

“Whatever we receive is highlighted at the meetings for discussions,” said MOM’s divisional director, Labour Relations and Workplaces Division, Then Yee Thoong.

“We distil the essence of every feedback on paper and then table it for the Council’s discussion,” he continued. “The views come from people of all walks of life. Some are employees working in various companies, others are employers themselves. Most of them write in as individuals.

“The range of feedback is very broad; sometimes it centres on a particular grievance or relate to the individual’s own specific situation. If an employer group writes in, the focus would be on its business position.”

The chairman of the NWC, Professor Lim Pin added: “Public consultation is important as the NWC is looking for ideas all the time. There have been occasions when people have written in on personal issues, but by and large, what we have been receiving is consistent with what we are discussing. Important issues brought up from time to time have mostly been within our scope.”

Encouraging public feedback

“Be counted. Play a part in shaping national policies,” is how the government tries to get the public to contribute their views. The following, issued in 2012, is a typical example:

NATIONAL WAGES COUNCIL INVITES VIEWS ON WAGE GUIDELINES

The National Wages Council (NWC) will convene in April and May 2012 to consider wage and wage-related guidelines for 2012/2013. The NWC welcomes views and suggestions from members of the public and relevant stakeholders, as this is an initiative that impacts all salaried employees and businesses in Singapore. Your feedback is valuable and will influence the NWC in its decision making process.

Commenting on the relatively low volume of feedback received, he said, tongue-in-cheek: “It could mean one thing – the NWC is doing so well that there is little to be disgruntled about!”

INTERVIEWS CARRIED OUT IN THE PAST

In the past, according to its first chairman Professor Lim Chong Yah, NWC would even conduct interviews with everyone who contributed feedback.

“We met them all and interviewed them one by one. The public response came from ordinary citizens, academics, some trade unions as well as employer groups. For instance, the British and Australian chambers of commerce did not have representatives in the NWC but they wanted to have a say and this was their chance to do so. “

At the 8th NWC session in 1979, 28 people from various business organisations and unions stepped forward to give their views in person (*please refer to Annex 1 at the back of the book*).

THE PROCESS OF NEGOTIATIONS

When NWC meets every year, its agenda has remained unchanged since the day it was formed: To discuss on wages and wage-related issues. Its mission, as every Council member knows, is to set guidelines on wage adjustments for the year. This objective is drummed into members’ minds right from the start, lest they deviate from it during the course of negotiations.

Decisions made are based on key factors such as productivity growth, the employment climate, economic growth and forecasts and Singapore’s international competitiveness.

Indeed, the tone and conduct of a typical NWC meeting bears the hallmarks of its first chairman, Professor Lim Chong Yah.

“He would always begin by invoking the Chatham House principle of non-disclosure and non-attribution stressing the importance of confidentiality,”

“Whatever we receive is highlighted at the meetings for discussions”

Then Yee Thoong
MOM’s divisional director,
Labour Relations and Workplaces Division

observed SNEF Executive Director Koh Juan Kiat, who has been an alternate council member since 1995.

Such a declaration was for the benefit of new members, of course, but it also served to remind long-term members of the nature of the NWC discussions.

“He would then proceed to talk on the state of the economy, crucial economic issues and give an idea of how the economy had fared in the past year and where it was heading for the following year.”

“They were such wonderful discourses that all of us felt that we were sitting in one of his economics lectures,” recalls NTUC’s former secretary-general Lim Boon Heng. “In fact, after gaining so much insight from year to year, we had often ribbed Professor Lim on when he would be conferring us with a degree in economics!”

After the chairman’s presentation, the government representatives would then be invited to deliver their own economic picture based on facts

NWC meeting 2012



and figures, touching on a review of the economy in the past year and the outlook for the future.

“The relevant economic statistics would come from MTI and EDB, while MOM would furnish figures on wages, employment and the outlook of the labour market. Other figures used would be those relating to the cost of living and inflation, provided by the Monetary Authority of Singapore. The idea of the government providing all the official figures was to put everyone on the same page,” says MOM’s permanent secretary Loh Khum Yean.

After providing the backdrop, says Mr Loh, there might be presentations by relevant government agencies on topics of concern for the year, such as skills upgrading or productivity.

It would then be the turn of the employer groups to do their presentations, which SNEF will do on their behalf. After that, NTUC would make its pitch on behalf of the trade unions.

Commenting on the format for discussion in the early days of NWC, Professor Lim Chong Yah recalls: “For the NTUC representatives, I would ask them to present a paper stating their common position while each employer group would present its own position. The employer groups each presented their positions.”

“When it came to the government representatives, I encouraged them not to take a common position either but to present their own papers to reflect their ministries’ points of view. From MTI, for instance, I needed to know its view on investments and from the Ministry of Finance, I needed to know if it could pay whatever we were going to recommend.

“All the papers would be submitted to Council members to read in advance a week or two before the start of the NWC meetings so that we could thrash out issues thoroughly.”

So while the civil servants representing the government at NWC were discouraged to meet and present a collective stand, the unions

and the employer groups would be busy trying to put together points of common interest. NTUC's president emeritus John De Payva said: "Our representatives of the labour movement in the NWC would do their own feedback. It will then be brought to the caucus of the labour movement. Through deliberations over three to five meetings a consensus will have to be found and a position taken before we go to the NWC."

In recent years, however, the format has altered somewhat, observed MOM's senior director in the Labour Relations and Workplaces Division, Ong Yen Her, a long-serving member of the NWC. SNEF would coordinate the views of employers and present a common position while the unions would also present their position which may differ from the employers'. It would then be the task of the government to help balance the two perspectives and bring the two parties to a compromise.

IMPORTANCE OF ANONYMITY AND CIVILITY

The use of the Chatham House principle, says Professor Lim Chong Yah, was to enable frank and free discussions among members and even allow them to change positions without harming their reputations.

The rule was established in 1927 by the Royal Institute of International Affairs in London at its premises, Chatham House, hence the name. The rule states that "... speakers are free to voice their own opinions, without concern for their personal reputation or their official duties and affiliations," with the aim of guaranteeing anonymity.

Professor Lim Chong Yah said: "I told them that within the walls of the NWC discussion, all members could express their views but they could not go outside to air their views to the public or the press and there would not be any public debate on differences within the Council.

"This would allow brainstorming, which sometimes would carry on to 12 midnight from 2 pm!

"Another rule I established was that the language used in the Council would be parliamentary. No abusive language would be tolerated.

"This was important given the background of the partners in the past when relations were confrontational. So even if discussions in the NWC were sometimes red-blooded, they were never rude."

ISSUES IN NWC MEETINGS

The tripartite partners bring their own perspectives and interests to NWC. They may differ in some aspects but in the long run, there is an overriding concern common to all – that when trying to achieve their own goals, jobs and businesses should not be in jeopardy and that Singapore's economic growth should not be hampered.

The Singapore Manual and Mercantile Workers' Union's (SMMWU) former secretary-general Eric Cheong, who served in the NWC in its early days (1980 to 1983), recalls the issues that the unions tended to be pre-occupied with.

"Employers tended to focus on the costs of doing business and the ability to pay according to the NWC recommendations, while we would cover issues relating to wages and working conditions of all workers, based on the prevailing economic conditions and outlook.

"As union reps, we would focus more on getting fair wages to cope with inflation, cost of living expenses and rewarding workers for good performance and companies' profits by way of bonuses, over and above the annual wage supplement."

In other words, bread-and-butter issues.

As the 59,000-member strong UWEEI's (United Workers of Electronics and Electrical Industries) then general secretary Cyrille Tan, who was an NWC member for 16 years between 1989 and 2011, puts it: "It is to ensure

a wage system that is fair and pays workers according to their productivity, skills and profits made by their companies.”

However, as a nod to the challenges that employers might face, he added: “We also need to ensure that the wage system is viable and ensure the companies’ competitiveness. The wage structure should also be flexible enough to adjust to cyclical business effects.”

These are words that employers would take comfort in.

Commenting on what employer groups tend to bring to the negotiating table, SNEF’s president Stephen Lee says: “Employer concerns are different from that of the unions. During economic boom times, employers’ concerns have more to do with staying competitive and how to improve operations. In recent times, the concerns have revolved around improving productivity.

“During a downturn, it all boils down to a matter of reducing costs and a question of survival. Singapore, being a small and open economy, goes through fairly large fluctuations – bigger than what larger countries will experience.

“But we work closely with the unions. Their concerns, in good economic times, would be the equitable sharing of the fruits of success – in the form of built-in wage increase and in the flexible part of the wage structure.

“In a downturn, however, we are both aligned on how to save jobs and save costs.”

Mr Lee concedes that the relationship between unions and employers tend to be stronger in the face of adversity. It was a time when they would be sharing the same goal – surviving the economic tempest with the hope that companies and the jobs for their workers would remain intact.

However, sometimes there would be thorny issues on which some employers would have completely opposing views from the unions. One particularly sticking point was that of the 13th month payment or annual wage supplement (AWS).

“It was a sensitive issue,” recalls the Amalgamated Union of Public Employees (AUPE)’s then general secretary Teo Yock Ngee, “as the NWC members had representatives from foreign chambers of commerce for whom the AWS is an alien concept.

“They wanted to scrap the AWS altogether, they said that they did not believe in it. For three years, this issue was brought up in 2003 to 2005 and discussed even outside the NWC meetings. They even suggested ‘meeting halfway’ saying that companies with agreements on AWS with the unions should continue but for new companies this should be discontinued.

“However, we stood our ground. After all, we had worked so hard to get the AWS included in wages in 1972, starting with the public sector, and we were not going to allow it to be removed. Finally, the issue was dropped.”

PROCEEDINGS REMAIN UNCHANGED

After nearly 40 years, the negotiations process has remained unchanged, revealed Professor Lim Pin, who retained the same format after taking over from Professor Lim Chong Yah in 2001. Professor Lim Pin had sat in at NWC meetings before he took over from Professor Lim Chong Yah as chairman.

“We first survey the economic landscape and how the economy is doing,” Professor Lim Pin says, “and this sets the agenda for the year. We study the prevailing employment situation, business prospects and how productive workers are as this determines what management can pay and we have to ensure that what the management can pay is sustainable.”

In other words, he says, “it is a multifactorial affair”. He also likes to note that the term used for the meetings – negotiations – “may not strike the right note,” he said. “They take the tone more of consultations.”

Whatever the term used, Professor Lim ChongYah has always emphasised that NWC members must strive “to come to a solution that is best for all.”



“In a downturn, however, we are both aligned on how to save jobs and save costs.”

Stephen Lee
President of SNEF

The importance of being on the same page

In the past, there was a daunting array of facts and figures presented by the three social partners on the state of the economy. As the statistics were sometimes conflicting, it was felt that only one set of facts and figures would be used by all as this would make for easier comparison.

Mr Ong, senior director MOM, chortled at the memory of how negotiations were carried out in the past. “The unions and the employer groups would show statistics that were skewed in their favour, to bolster their arguments. It was difficult to know who was right. On the other hand, the government had its own set of data too. So it all added up to a confusing picture at times,” he said.

Eventually, it was agreed that being a neutral party and as a source of numerous labour surveys and other objective economic data, the government should be entrusted to provide the same set of data for all.

Furnishing the majority of the official statistics today are MOM and MTI. The data provided by MOM cover the rate of unemployment; employment growth; real/nominal and total/basic wage change; labour productivity; and the implementation rate of various recommendations of the NWC in the past such as the monthly variable component (MVC) and maximum-minimum ratio of 1.5 of a salary scale.

MTI supplies statistics concerning past and forecasted GDP figures; consumer price inflation (CPI)/core inflation; and the unit labour cost, which measures the competitiveness of Singapore against that of other countries.



As the United Workers of Petroleum Industry’s (UWPI) general secretary K Karthikeyan commented: “The decision to use statistics presented by the government allowed all three social partners to speak based on the same set of data.”

He also pointed out the readiness of the government to provide the unions or employer groups with additional extra information or statistics when needed. “We could ask for it and it would be made available, which was a great help,” he said.

Elaborating on the importance of having the same data sheets for all, MOM’s permanent secretary Loh Khum Yean adds: “These form a common basis upon which the unions, employers and the government can come to a conclusion. There will of course be other factors that the NWC takes into account when forming guidelines. These would include the business outlook, productivity and past economic performance for different sectors of the economy as we also realise that these factors may vary in different industries and also for individual companies.”

Until 2012, NWC members have always been guided in their Council discussions by the fundamental principle that wage increase should lag behind productivity growth. What this means is that wage increases would be aligned with average productivity growth over the previous three to five years to safeguard and enhance Singapore’s competitiveness.

THE BARGAINING PROCESS

Before NWC meetings take place, the unions and employer groups would conduct their own discussions to decide on the issues that should be brought forward to the Council’s attention.

As Mr Karthikeyan of UWPI, which has a membership of 3,462 workers, puts it: “We first hold our own internal meetings to decide on our stand and prepare points of arguments to put our case forward. Of course, within parties we will have our differences; ultimately, we have to justify our arguments.”

Concurring, NTUC’s president emeritus John De Payva, said: “All three social partners would do their prelims. In the case of our unions, once the full and alternate members representing the NTUC in the NWC for the year are identified, they will do their own feedback gathering on issues concerning their members, after which they will hold their own internal meetings. All the unions representing the NTUC will then come together with the caucus of the labour movement for deliberations

“Broadly, we tend to focus on current and relevant issues that we would like to see tackled in the future. When deciding on the position to take we consider how the economy is expected to do in the year and how the NWC can support economic development.

“In the days of quantitative guidelines, we even put forward what we felt should be the actual quantum that should be given.”

EMPLOYERS FIRM THEIR POSITIONS

For SNEF, says its executive director Koh Juan Kiat, “The preparations for the NWC meetings in April begin at the start of the year when we survey members on wage-related issues and some of the challenges they face. Dialogues also take place at industry group meetings within SNEF and our industrial relations panel meetings to understand the issues in greater detail. I may also contact some members personally to find out more on certain issues which I think would affect them.

“This feedback is important so that when we present the employers’ views at the NWC meetings, we know that we have the support of employers.”

He echoes the view of Mr Lee, SNEF’s president, that the main issue for employers is cost competitiveness. “Productivity, labour market situation, economic outlook, business prospects and in recent years, inflation are some of the common issues raised.”

Based on their members’ concerns, SNEF then formulates a position that reflects employers’ concerns.

Mr Koh elaborated: “It changes depending on the state of the economy and labour market. In good years, the employers’ position may be how to reward workers and hire older workers and economically inactive women to cushion a tight labour market situation. In bad years, the position would be how to cut costs, save jobs and revive productivity growth.

“But the core message has remained that wages must be linked to productivity to maintain the competitiveness of companies and grant sustainable wage increases to workers.

Since other national chambers like the American, German and Japanese chambers of commerce are also on the SNEF Council, Mr Koh adds that, before going to the NWC meetings, the position to be taken for employers is also discussed within the SNEF council.



SNEF council members discussing industrial relations issues.

“We also consult the Singapore Business Federation and the ethnic chambers that are also represented on the NWC,” he said.

For the individual employer organisations, the views of their members are taken into consideration. For instance, for the Singaporean-German Chamber of Industry and Commerce, its vice-president Mr Melchers says that he approaches individual European national business groups to obtain feedback. “I will ask them if they have any inputs or points to make that I can bring up at the NWC meetings. Their main concerns are usually issues at hand such as the re-employment of older workers.”

HOW NWC DECISIONS ARE MADE

NWC guidelines are arrived at on a consensus basis among the three social partners making up its tripartite framework – employers, trade unions and the government. As has been noted earlier, representation is roughly equal

with about the same number of nominees each from the employer groups, the NTUC covering for the unions, and the government.

The task of the Council, reflects Mr Loh of MOM, is to make sure the guidelines adopted are strong and robust and serve the longer-term interests of the nation. They also should be sustainable. “Our role as representatives of the government is to ensure that these principles are adhered to,” he said.

Reflecting on the nature and pace of deliberations in the Council, Mr Loh observes: “SNEF and the union heads speak out more frequently. While we (the government) maintain a neutral stance, if we feel that some important issues have not been discussed, we will bring these items to the table.

“It’s not as if there are no disagreements among the social partners but what has helped is the mutual trust and respect among all.”

His colleague at MOM, divisional director, Labour Relations and Workplaces Division, Then Yee Thoong reveals: “NWC discussions are very civilised. There is no name calling, no raising of voices, but the members drive a very hard bargain. That’s the texture and tone of negotiations and it is a tribute to the social partners.”

Agreeing, NTUC’s former secretary-general Lim Boon Heng said: “The climate of discussion is fairly positive and not confrontational. If any party had a point to make it was made objectively.

“Sometimes hot words have been used but the overall tone would be set by the chairman who would adopt an objective stance.”

According to his successor, Lim Swee Say, it was inevitable that at the point of first contact in NWC meetings, the tone adopted by the unions would be “strong” as they would be bringing up views representing sentiments from the ground.

“The unions want the workers – its rank and file – to be heard. The employers likewise have strong views. So there is understandably a gap. It’s

a question of ‘I hear you and you hear me and how do we find a common ground?’”

In most instances, he says, the two sides have been able to converge as they recognise the need to take care of businesses to preserve jobs.

NTUC’s president emeritus John De Payva observes that generally, over the years, it has not been “difficult to get a common stand as we all have reached a stage of maturity.”

He describes the NWC meetings as “constructive”. He elaborates: “They may not always have been cordial, which is understandable, given that employers want to moderate costs as much as possible while unions want workers to get a fair share of the spoils.”

Speaking of his experience as a negotiator before the formation of NWC, Mr De Payva said that it was quite a trying task then to get the unions and the employer groups to sit at the negotiating table given the background of



Union representatives in the 1987 NWC negotiations.

the rampant strikes of the 1950s and 1960s and the frequent clashes between the two sides.

So with feelings still a bit raw for both parties, trying to regulate wage increases in the first five years of NWC was not easy because of the emotional baggage, says Mr De Payva.

Leading NTUC at the NWC deliberations in the beginning was its then secretary-general Devan Nair, who had been involved in the conflicts between unions and management that had sparked off the widespread labour unrest in the earlier years.

Taking over from him in the 1980s was a different breed of unionists, who had not come from the same background of labour strife, so the attitudes were different.

Concurring, SNEF President Stephen Lee said: “Devan Nair was an old time union leader who came from the ground, but he was a shrewd negotiator.

“In the early years, negotiations were a case of ‘I try to get what I come here to get’ rather than saying ‘this is the problem I am facing and how do we resolve it.’

“There was a lot more posturing in the old days. Meetings were more guarded. In general, there was more bargaining in the past, less problem solving and over the years, as the partnership between the unions and management got closer, there was an improvement in trust and we were able to advance in our conversations; we look at, and anticipate, problems and the attitude taken was more problem-solving.

“There is still bargaining today but less so than before because as the economy grew in the 1970s, 1980s and 1990s, and as the economic pie has grown, the problems have become more complex. The partnership



OPPOSITE PAGE:
Then Prime Minister Lee Kuan Yew
at the opening ceremony of the
National Trades Union Congress
building in Shenton Way, Singapore.

BELOW:
Then NTUC President John De
Payva answering questions posed
by employers at the 2011 STF
Seminar on Re-employment of
Older Workers.



has also moved on with more frank discussions relying more on facts and figures than on emotions.”

The chairman of NWC, as usual, was a neutral party to all the bargaining as his aim was to get agreement from the three social partners on the course of action to take.

Despite the rawness of debates at times and the hard bargaining involved, NWC meetings have many a time in the past concluded with a celebratory toast of champagne, reveals MrThen. “These days, it is often concluded with a lunch as a token of appreciation for all involved for their hard work.”

CONSENSUS – AND UNANIMITY – IS THE NAME OF THE GAME

Professor Lim Chong Yah has always stressed that NWC would not be able to function effectively if its guidelines were not arrived at on a consensus basis. In fact, he says, unanimity also comes into play. “Not only must there be general agreement on a guideline, everyone in the NWC must agree to it. “

He contends that the NWC decision-making cannot be by a majority vote; if it were so, then “any two parties can coerce the third party to lines of decision which the third party may not agree with”. It is for this reason that he feels it has been difficult for other countries to replicate NWC, as much as they tried their best to do so as the majority system tended to prevail.

In a paper entitled “The National Wages Council: The Politics of Consensus”, Professor Lim ChongYah reveals the mechanics behind getting consensus in NWC.

“To get consensus, one should look at the problems and prospect of getting consensus within each of the three component groups in turn. For each group, when they ask for adjournment for separate meetings of their own, you know they are trying to get consensus among themselves. For trade unions, they tend to speak with one voice in the NWC ...”

He disclosed that this was “a little less so with government representatives” although eventually, “one or two of the most senior members can in the end persuade their colleagues ...”

Understandably, for employers, given their diversity, getting consensus was more time-consuming, says Professor Lim Chong Yah. “In the end, if more of them agree, the rest tend to give way, especially if they find all the government representatives share the majority view.”



Briefing to union leaders on NWC guidelines in 2010.

CHAPTER 4

Implementation of NWC guidelines

FROM QUANTITATIVE TO QUALITATIVE GUIDELINES

For its first 14 years, the NWC wage increase recommendations announced annually were quantitative in nature, with specific figures given.

From 1986, qualitative guidelines were issued, without any numbers cited. As its first chairman Professor Lim Chong Yah who has seen the transition of the stages explains, “In the quantitative guidelines phase, the debate was on figures, whereas in the qualitative phase, it was on words.”

He pointed out that presentation was more important in phase two (qualitative) than in phase one (quantitative). Phase one was more hotly debated in NWC, with members bringing along their calculators to work out the numbers, but not in phase two. He also revealed that “confidentiality of deliberation, particularly on the quantitative wage increase formula, was also more important in the phase one process of getting consensus”.

Still, Professor Lim argues that “to be useful and meaningful, the qualitative guidelines are not without quantitative foundations, except no special figure or figures are given”. And even in the days of quantitative guidelines, he said, “We were just as careful with words as with figures.”

CRAFTING THE NWC GUIDELINES

Whether quantitative or qualitative in nature, the NWC guidelines go through a long and careful – and often tedious – process of crafting.

Commented MOM's divisional director, Labour Relations and Workplaces Division, Then Yee Thoong: "In the days of quantitative guidelines, the documents were shorter. When we went into the qualitative phase, the documents became lengthier. I would say that the chairman's role is perhaps easier when there are qualitative guidelines unlike the days of quantitative guidelines when recommendations were more precise involving the actual mentioning of a quantum of wage increase to be adopted."

The guidelines also included details of how to implement the recommendations with the use of actual working examples.

However, MrThen noted that even though no specific sums are mentioned in qualitative guidelines, some markers are included, which employers and unions have found to be helpful.

He elaborated, "Without articulating any values, we know where they are and this helps in negotiations.

"If you look at the documents, you will find qualitative markers being used, for example, if we say wage increase should lag behind productivity growth. So if productivity is 2 per cent, and if inflation is low at say 1 per cent, the wage increase then should be around 3 per cent. So there are nuances embedded in the documents.

"This makes the notes of the meetings very important. And the documents, which go through many sets of eyes, have to be carefully crafted.

"This year (2012/2013), instead of saying wages should lag behind productivity growth, we say it should be in line with productivity growth. There is a significant difference."

DRAFTING COMMITTEE WORKS ON NWC GUIDELINES

When NWC finally secures the broad points of agreement on what the wage increase recommendations would be, the main council stands down and a smaller drafting committee is formed comprising some of its members.

Headed by the permanent secretary of MOM, the drafting committee will again have equal representation from the employers, unions and the government.

MOM's permanent secretary Loh KhumYean said: "The size of the Council is too big to involve everyone in the drafting so around three representatives each from employers and unions will form the committee. As they work on the draft, they will also be consulting with their other representatives in the Council."

So crucial is the drafting stage that SNEF's executive director Koh Juan Kiat described how both the employer and union groups would huddle together to discuss and "scrutinise the draft guidelines and recommendations to make final adjustments" where necessary, before they are tabled for the Council's approval. All NWC members in the drafting committee agree that it is an intense period. Although the drafting committee would try to wrap up the guidelines in two to three meetings, discussions could sometimes take as long as five hours each time.

According to MrThen who as NWC secretary was tasked with the actual writing of the document, drafting the guidelines can be "quite an agonising experience".

He adds: "The NWC chairman is usually not involved in the drafting process although he is kept abreast of developments. However, if circumstances warrant it, he may step in and this depends on the issues at stake. In the days of quantitative guidelines, the chairman would even brief key members of the cabinet such as the prime minister and the labour (later

manpower) minister just to make sure they would be comfortable with the proposed quantum in the guidelines being drawn up.”

SCRUTINY OVER DRAFT GUIDELINES

When the draft is ready, the entire NWC re-convenes to go through the document before giving their approval.

It is, according to Alexander Melchers, the vice-president of the Singaporean-German Chamber of Industry and Commerce, a meticulous and often tedious process. What he describes squashes any thoughts that NWC might be a rubber stamp committee. “All the NWC members are given a chance to have their say. The document is projected on a screen and Council members go through it word by word to ensure that the right meaning is conveyed.”

NWC GUIDELINES GO TO CABINET FOR APPROVAL

After the NWC guidelines have been agreed upon, a report on the recommendations is sent to the prime minister for cabinet approval. The report takes the form of a letter written by the chairman, addressed to the prime minister and signed by all members of NWC.

Professor Lim Chong Yah remarked: “They (the cabinet) can reject, amend or modify the recommendations of the NWC.”

But they have never done so, he says, “reflecting the confidence they have in the NWC”.

He did reveal, however, that on one occasion, the Council was asked to change a word or two. “So the language employed in the report is important,” he said. “It has to be precise, lucid and convey the right use.”

The reason NWC has been able to garner the acceptance of its guidelines, year after year, Professor Lim believes, is due to the support and faith the cabinet has in the Council’s work, right from the start.



Prime Minister Lee Hsien Loong with leaders from SNEF and NTUC during one of the Chinese New Year visits.

He attributes this to the unwavering support given by then Prime Minister Lee Kuan Yew who “took a keen interest in the workings of the NWC and its success,” said Professor Lim. “He was very perceptive of the causes of economic problems. In the early days, there were occasions when he called us to the Istana to discuss some figures and asked if both the employer groups and unions were in agreement over the statistics in hand.”

This backing, in his view, was the beginning of the belief of the unions in NWC as a means of solving problems.

In the first 10 years of NWC, “because the Council was still feeling its way,” Professor Lim also disclosed that he would often consult with the then Finance Minister Hon Sui Sen “who had to ensure a good investment climate” and the ministers for trade and industry and for labour.

KEY REFERENCE FOR WAGE INCREASES

Once the NWC guidelines are approved by the cabinet they are published in the *Singapore Government Gazette*. For this reason, the guidelines carry weight and are widely implemented.

The tone is set by the public sector, which is the largest employer in Singapore. As MOM's permanent secretary Loh Khum Yean puts it: "By and large, the government must subscribe to the NWC's spirit and intent and as employer should be following the guidelines. The Public Service Division uses them to negotiate with the unions."

The wage guidelines are endorsed in varying degrees in the private sector. Employers in unionised companies and their unions will turn to the guidelines when negotiating wages. Even non-unionised firms find them a useful point of reference in working out wage increases.

IMPLEMENTATION OF GUIDELINES

As soon as NWC announces its guidelines for the year, the trade unions and employer organisations swing swiftly into action.

SNEF Executive Director Koh Juan Kiat says: "Immediately after the release of the guidelines, SNEF holds a big briefing, which is typically attended by over 1,000 employer representatives, to share with them on the NWC recommendations. Since the formation of SBF (Singapore Business Federation) in 2002, the briefings are jointly organised for both our members. A second briefing would be held later for those who miss the first one. This attracts another 600 to 800 employer representatives. E-mail notifications are also sent to SNEF members on the same day of the release. So the first step for us is to create as much awareness as possible among employers."

After that, he says, SNEF's task would be to persuade and help its members to implement the guidelines. "This includes organising industry group meetings to share and discuss on the implementation issues of the

guidelines for the different industries," he says. "SNEF consultants are also available to answer any queries from employers through e-mails and telephone.

In addition, said Mr Koh, "We also have other business chambers and industry associations inviting SNEF to brief their members."

Adds SNEF President Stephen Lee, "What is most important is to explain the rationale of the guidelines to employers and advise on how to implement them."

UWEEI's former general secretary Cyrille Tan offers an insight on how individual trade unions implement the NWC guidelines. This takes place after NTUC meets with the leaders of all the trade unions under its umbrella to disseminate the NWC recommendations for the year. It is then the responsibility of individual unions to reach out to its own members.

"In our case," Mr Tan says, "after the NWC announcement of the guidelines and a briefing by the NTUC leadership, I will conduct a briefing within our union for all our branch officials. The union will also serve notice under Section 18 of the Industrial Relations Act to all the companies within UWEEI by inviting them to negotiate the NWC recommendations with our Industrial Relations Officers (IROs) who will follow up with their respective companies to fix an available date for the negotiations.

"Prior to that, however, the UWEEI Industrial Relations Committee will deliberate on the guidelines and formulate an internally acceptable



TOP:
Stephen Lee giving a briefing of the NWC guidelines.

ABOVE:
Koh Juan Kiat giving the Second Briefing on the NWC Guidelines of 2012/2013.

strategy and guidelines for all the IROs to follow when negotiating with the companies.”

HOW WELL ARE NWC GUIDELINES IMPLEMENTED?

SNEF’s president Mr Lee points out the importance of the NWC guidelines. “They do have an impact as companies take them into account. In fact, in our experience, we find that most companies look forward to receiving the annual recommendations to guide them in wage negotiations.”

Concurring, Mr Koh said: “Companies would generally refer to the NWC guidelines in granting wage increases.”

To gauge the responses of companies to the recommendations, SNEF conducts regular surveys and the results show that the recommendations are being followed in varying degrees.

He elaborates: “For example, during the downturn of 2008/2009, where the recommendation was a wage freeze, a SNEF survey showed that the median built-in wage increase that year was zero per cent and the average was only 1.3 per cent.

“In 2010, when the economy rebounded strongly by 14.8 per cent amidst some uncertainties on the prospects, companies responded by granting a sustainable wage increase of 3.3 per cent and 2.5 months of variable payment as compared to about two months during the downturn.

“Some recommendations may not be adopted widely and we have to review how to encourage more companies to implement it. In the early 2000s, we did a wage restructuring exercise to get more companies to implement the flexible wage system in the aftermath of SARS as we found that the wage system in Singapore was still not flexible enough to counter economic shocks. In June 2004, 75.6 per cent of employees worked in companies with some form of flexible wages system. By the end of 2011, the figure rose to 85.7 per cent.”

The Singapore Manual and Mercantile Workers’ Union’s (SMMWU) former secretary-general Eric Cheong holds the belief that the NWC guidelines provide “some stability in industrial relations as most industrial disputes are wage based. Once the NWC recommendations are accepted, unions will proceed to negotiate collective agreements based on the guidelines.”

But there are exceptions, he points out. “Companies that make good profits for the year will face pressure from the respective unions to provide better bonuses.”



Increased productivity through computerisation and mechanisation – a strong recommendation by NWC.

CHAPTER 5

Different phases of NWC

THE INDUSTRIAL RELATIONS SCENE BEFORE NWC

Before the arrival of NWC, wage negotiations with employers were typically unrestrained with trade unions trying their best to get more wages and better fringe benefits for their members. The bargaining atmosphere was not always cordial – in fact, it could sometimes be downright belligerent – and what was achieved was based largely on the unions' bargaining power versus that of the management. Quite often, if things did not turn out as expected – there would be wage disputes, the downing of tools or even strikes.

NWC GUIDELINES FULFIL THEIR PURPOSE

When NWC was set up, its goal was to establish an orderly annual wage adjustment in the form of a yearly wage increase based mainly on productivity and performance.

Going by this yardstick, NWC has achieved its task admirably as there were real wage increases, going up by an average of 4 per cent from 1972 to 1996, for instance. What's more, the adjustments were orderly, if the

absence of “strikes, lock-outs and other serious wage disputes” is taken into consideration, says Professor Lim Chong Yah.

This has proved beneficial for employers since industrial action is both costly and disruptive. Companies, especially those that are unionised, find the NWC guidelines to be a basis or a useful point of reference for wage negotiations and when discussing collective agreements with trade unions. Equally important is the flexibility of implementation. And in times of crises, companies can adopt a wage freeze or wage cut to help them overcome an economic downturn in the knowledge that this has been sanctioned by NWC.

Topping the list of benefits, as far as employers are concerned, is the decline in wage disputes. As MOM’s senior director, Labour Relations and Workplaces Division, Ong Yen Her points out, back in the early days of NWC when he was overseeing industrial relations at the then Ministry of Labour, there was a noticeable drop in wage disputes sent to his office for mediation and conciliation.

The Industrial Arbitration Court (IAC), which also experienced a significant drop in wage disputes that had to be decided upon, found the guidelines useful in helping them to arbitrate unresolved wage disputes that had landed there from the ministry.

ROLE OF NWC GUIDELINES

It was made clear, right from the start, when NWC was formed, that it would not “interfere in any particular wage negotiation or dispute”. In fact, it was warned by NTUC’s then deputy secretary-general Lawrence Sia in a newspaper report in June 1972, to “limit its function to setting up national guidelines and not to usurp the role of trade unions in normal collective bargaining”.

RESOLVING DISPUTES

The guidelines are thus just that – a guide to actual wage negotiations conducted between the unions and employers. And if there is no outcome, there is provision for wage disputes to be resolved via other means, either through mediation by MOM or if that fails, through arbitration by IAC.

NTUC’s president emeritus John De Payva remarked: “There is a provision that if negotiations on NWC wage guidelines reach an impasse, an ex-parte application can be made to the IAC for arbitration, that is, one party can refer the dispute to the court without the consent of the other party.”

He added: “This is unlike other IR (industrial relations) issues when both parties in a dispute have to give their consent and jointly submit an application for the dispute to be arbitrated.”

However, the union would first go down the path of mediation with MOM to try to resolve disputes, he reveals. “It’s more convenient and we get the impression that MOM is friendlier. It is not exactly pro-labour, mind you; it is neutral but we have already built up a relationship with the people there dealing in IR so it makes it easier to come to a settlement.”



The president and two members of the IAC today toured the head office of the Overseas-Chinese Banking Corporation in South Canal Road Road in 1961 to study how certain sections of the bank work and the duties of some of the employees. IAC was hearing a dispute between the bank and the Singapore Bank Employees’ Union. Members of the court present include president of IAC, Dr Charles Gamba (standing, fourth from left).

Table 1: How disputes were resolved over the years

Year	No. of strikes	Unionised disputes referred to MOM	No. of cases referred to IAC	Year	No. of strikes	Unionised disputes referred to MOM	No. of cases referred to IAC
1972	10	-	81	1992	0	353	27
1973	5	-	207	1993	0	370	6
1974	10	-	142	1994	0	333	8
1975	7	709	137	1995	0	305	9
1976	4	694	161	1996	0	309	10
1977	1	640	116	1997	0	253	11
1978	0	548	116	1998	0	291	10
1979	0	577	156	1999	0	246	12
1980	0	484	194	2000	0	231	8
1981	0	392	148	2001	0	266	17
1982	0	311	116	2002	0	260	15
1983	0	353	106	2003	0	252	31
1984	0	338	73	2004	0	182	15
1985	0	340	72	2005	0	163	16
1986	1	317	111	2006	0	163	14
1987	0	275	56	2007	0	133	11
1988	0	366	50	2008	0	118	10
1989	0	353	58	2009	0	166	10
1990	0	303	41	2010	0	121	10
1991	0	323	34	2011	0	159	5

THE EARLY YEARS OF NWC

In the early years from 1972 to 1978, the recommendations of NWC took the form of moderate wage increases of 6 to 9 per cent a year with one exception in 1974 when it proposed a significantly higher wage increase to help workers cope with high inflation.

This stemmed from the oil crisis, which had erupted in 1973, when OPEC (Organization of the Petroleum Exporting Countries) comprising 12 countries sought to control oil prices by cutting down on production. The result: oil prices soared from US\$1.90 a barrel before the crisis to US\$2.80 in 1973, up by 47 per cent within a year. In 1974, the price rose to US\$10.40.

The situation forced oil-importing countries to borrow heavily to pay for their fuel causing runaway inflation and a drop in living standards. This had the effect of setting some countries on the path to recession.



During the oil crisis in 1973, Singapore went on a drive to save electricity and the lights were turned off at the Victoria Memorial Hall. The building was illuminated only by the glow of street lamps.

As an oil importer, Singapore was no different with inflation shooting up from just 2.2 per cent in 1972 to 19.6 per cent in 1973 and to 22.3 per cent in 1974. In the words of Professor Lim Chong Yah, who had just been appointed chairman of the newly formed NWC, these inflation rates were “unprecedented in Singapore’s history”. However, he pointed out in a review on inflation rates over a 25-year period from 1972 to 1996, that if these two years were taken out, inflation in Singapore was, on the average, just 2.6 per cent a year.

It was clear that for the wage increase guidelines of 1973/1974, NWC had to find a solution to combat the rising inflation as this was eroding the real income of workers. High inflation and a decline in real wages had triggered riots in Hong Kong when there was a hike in bus fares, while trade unions in Germany went on strike. If this could happen in these two countries, which were prosperous with well-run economies, what would this bode for Singapore, Professor Lim Chong Yah wondered.

As a first step, NWC decided to recommend shortening the duration of collective agreements, traditionally lasting from three to five years, to a period of two to three years, to promote wage flexibility. Professor Lim Chong Yah had noted that in the case of Germany, workers’ demands for wage increases could not be incorporated until the collective agreements, signed in pre-inflation times, had expired. Shortening the period of validity of collective agreements would inject some flexibility into the wage system.

In addition, NWC proposed wage increases over and above what had been agreed upon in existing collective agreements.

NWC also held an urgent meeting after acknowledging that circumstances warranted a quick adjustment to nominal wages. For this reason, it came up with an interim recommendation of an increase of \$25 for every employee. As the average wage then was \$360 a month, this would in effect be an increase of 6 per cent a month. This would help to make up for the rise in inflation, noted the Council.

In May 1974, NWC made a recommendation of a wage increase of \$40 +6 per cent. This would constitute a wage rise of 17 per cent, making it the highest gross wage increase rate of 18.2 per cent during the 1972 to 1996 period. However, despite this increase in gross monthly earnings, the average real wage declined by -3.3 per cent in 1974.

Still, despite the high inflation which also affected food prices, it was felt that the lowered standards of living for workers in Singapore were less drastic than those in countries that were more oil-dependent. Credit was given to NWC, which had been formed barely two years ago, for the way in which it reacted to the oil crisis.

There was no disruption in the sphere of industrial relations; nor was the prevailing investment climate affected.

In 1975, the real gross earning rate had gone up by 11 per cent. In 1976 when Singapore’s economic health was fully restored, a real growth rate of 7.2 per cent was registered while inflation was down at -1.8 per cent.

HIGH WAGE POLICY (LATE 1970S TO EARLY 1980S)

After the oil crisis had subsided, NWC saw itself dealing with another totally different problem as it approached the late 1970s.

From 1979 to 1981, as with the oil crisis years, NWC recommended the implementation of a high wage policy. But the reason for doing so was different. It was motivated by the need to discourage low-skill intensive labour industries in favour of more high-tech and high value-added enterprises.

This idea behind what was essentially a form of economic restructuring was to phase out low value-added businesses and upgrade the economy to one with more high value-added and less labour-intensive activities.

Singapore then, noted Professor Lim Chong Yah, was like a Third World country with many low-paid workers. In a paper entitled “The National Wage Council: Issues and Initiatives”, he noted that “thousands and thousands



TOP LEFT:
One of the input terminals that was part of the computerised system at the Stock Exchange of Singapore in the 1980s.

TOP RIGHT:
IN 1983, Singapore's first public bus to be driven with the help of push buttons went on the roads. Introduced by Trans-Island Bus Service, the \$130,000, 53-seater bus was the first to have automatic transmission controlled by a computer which controlled the changing of gears, speed and fuel consumption, and it could be re-programmed to allow faster acceleration.

ABOVE:

Government officials and representatives from the private sector at a press conference in 1981 to explain the implications of the report of the Committee on National Computerisation. They are (from left facing camera): Tan Chin Nam (Director, Systems and Computer Organisation, MINDEF), Lim Choon (Deputy Director, Manpower Planning and Education, MTI), Foo Meng Tong (Administrator, Skills Development Fund), Ong Wee Hock (Deputy Director, EDB), Robert Iau (President, Singapore Computer Society), Philip Yeo (Second Permanent Secretary, MINDEF), Lau Ping Sum (Member of Parliament for Yio Chu Kang and President, Data Processing Managers Association), Prof Hsu Loke Soo (Head, Computer Science Department, National University of Singapore), and Wang Mong Lin (Director, CDIS, Ministry of Education).

of Singapore workers were working as carpark attendants, lift operators, petrol kiosk operators, porters, messenger boys and coolies. There were then mostly single-decker buses, with ubiquitous bus ticket sellers and bus ticket inspectors."

Yet, at the same time, Singapore was a magnet for investors, thanks to its stable political and industrial relations climate and an eager and hardworking labour force.

But there were Asia's NIEs (newly industrialised economies) comprising Hong Kong, South Korea and Taiwan to worry about as they were increasingly becoming more competitive. Nearer home, Thailand, Indonesia and Malaysia were also trying to ramp up their economies by putting out the welcome mat for investors.

Then there was China, which was opening up its economy and welcoming foreign investors through a new Open Door Policy.

It was doubtful if Singapore could compete with these countries over the long term if we continue with low value industries and products.

For Singapore, all these goings-on pointed to one thing: The need to change tactic. So, said Professor Lim Chong Yah, given the situation, "the decision was made to go ahead with economic restructuring".

This change in direction saw a 20 per cent across-the-board increase in wages recommended by NWC each year from 1979 to 1981 – a move designed to force unproductive businesses out of the market. To lessen the reliance on labour, more mechanisation, computerisation and the use of robots were introduced.

However, part of the wage increase was funnelled into the Central Provident Fund (CPF) to reduce the inflationary impact of the high wage policy. This had a bearing on the real take-home pay for workers which went up by just 3 per cent a year from 1979 to 1981 but, as Professor Lim Chong Yah pointed out, "CPF money was workers' money" and the amount channelled



In 1981, Jeffrey Tan designed the first Singapore-made robot. Called the "manipulator", it was used in a machine which made plastic parts, such as cassette tape player covers.

into it as part of the national wage policy constituted an increase in real wages. Apart from being an essentially retirement savings plan, an employee also could dip into his CPF fund for other purposes, including buying a property.

The contribution rates of employers and employees to an employee's CPF fund were steadily increased over the years. In 1978, the contribution rate for employers went up from 16.5 per cent to 20.5 per cent the following year while for employees, their contribution rate rose from 16.5 per cent in 1979, to 18 per cent in 1980 and to 22 per cent in 1981.

As Professor Lim Chong Yah noted, during the three years of high wage policy recommended by NWC, the average nominal gross monthly earnings of workers (which included the CPF contributions of both employers and employees) increased by 13.4 per cent a year.

SKILLS DEVELOPMENT FUND IS SET UP

NWC also looked at other ways to encourage companies to switch to higher value-added production. In October 1979, it launched the Skills Development Fund (SDF) which employers could tap into when sending their workers for training courses to upgrade their skills.

The scheme was set up to encourage "large-scale training and retraining of workers." It also had the objective of persuading, encouraging and promoting mechanisation, computerisation and robotisation.

Under the scheme, grants given to companies can cover up to 90 per cent of training costs. However, to be eligible for the fund, employers had to pay a Skills Development Levy (SDL) every month for each worker in their employment, whether they were full-time or part-time and whether local or foreign.



Workers undergoing welding training at the new National Trades Union Congress (NTUC) LearningHub at Benoi Road. The NTUC and the Singapore Workforce Development Agency launched a \$4.5 million scheme on 21 August 2012 to get more locals into the shipyard sector.



Productivity enhancement through automation and training of older workers to upgrade their skills.

When it first began, the levy was 4 per cent of wages. But over the years, the SDL has been revised. With the latest change made in 2008, employers pay a minimum of \$2 for an employee earning less than \$800 a month and 0.25 per cent for each employee earning up to \$4,500 a month. The levy is capped at \$11.25 for an employee earning more than \$4,500 a month.

Today, the SDF is managed by the Singapore Workforce Development Agency (WDA), which uses it for a wide range of incentive schemes aimed at facilitating skills upgrading.

QUANTITATIVE RANGE GUIDELINES INTRODUCED

In 1981, instead of specifying a fixed wage increase, NWC decided to introduce a range of wage increases for the first time.

For instance, in 1980, the guideline for wage increase was specified at \$33 +7.5 per cent.

In 1981, the recommended wage increase was \$32 +6 per cent to \$32 +10 per cent.

The guide-range, said Professor Lim Chong Yah, was agreed to by all the members of NWC. The idea behind introducing the guide-range was to give employers flexibility to pay their workers at any point within the range or even outside it if they could justify. He added: "Singapore thus implemented an orderly flexible wage system. This flexibility was further enhanced when the emphasis later was more on ability to pay of individual firms with the introduction of non-quantitative guidelines.

NWC proves its mettle

Nearly 40 years on, Professor Lim Chong Yah looks back with satisfaction on the early achievements of NWC.

He says, "Recently, when I had the occasion to go to the revolving roof-top restaurant at Prima Towers in Keppel Road, I looked down to the port area surrounding it. All I saw was a sea of cranes and containers. In the 1970s, you would have seen coolies instead carrying cargo on their backs.

"Over the years, the work of the NWC and the creation of the SDF have indeed contributed significantly to the upgrading of our industries from one that was largely based on manual labour to one of mechanisation and computerisation."





A large number of workers were retrenched in the 1985 recession.

CHAPTER 6

The crisis years: First major recession and wage reform (1986–1988)

SINGAPORE EXPERIENCES ITS FIRST RECESSION

After two decades of sustained growth, Singapore's burgeoning economy experienced a bumpy landing in 1985 when she went into her first recession. All this, admittedly, stemmed from its high wage policy of 1979 to 1981 which had continued into 1984, beyond its initial target of three years. Thus, with excessive wage increases over these years, Singapore soon found herself priced out of the market when she lost her competitive edge to rival economies within the region such as Taiwan, South Korea and Hong Kong.

SNEF's president Stephen Lee recalls the scenario very vividly. He says: "It all began in the late 1970s when we were warned by Dr Albert Winsemius, our chief economic advisor, that if our wages remained low, we would be caught in a low wage trap which would draw more of such labour-intensive industries and workers to Singapore.

"To break out of this cycle, he advised us to push up wages that would force these labour-intensive industries to upgrade.

“In reality, what happened in 1979, 1980 and 1981 when we pursued this high wage policy of 20 per cent increase each year, we could not switch off. The momentum just carried through to the fourth, fifth and sixth years. Soon, we found our wages to be too high relative to our skills and costs and capability.”

In other words, Singapore had priced herself out of the market. “By pricing ourselves too high, we ended up with a recession in 1985,” said Mr Lee ruefully.

And so began a period of austerity, and for the next two years (1986–1987), NWC recommended a policy of “severe wage restraint”.

It was a trying time for both employers and employees. In a bid to cut down on the cost of doing business, companies resorted to retrenching workers and as many as 49,000 workers lost their jobs in the first six months of 1985. It was not just the rank-and-file staff who were being laid off but also those in senior positions as they were more costly to retain because of their higher salaries. The situation was so dire that in order to try to save jobs, the unions even decided to give up on the 1985 wage increment recommended by NWC.

In the 1 August 1985 issue of its newsletter, *The Singaporean*, NTUC announced, “The unions, realising the need to remain cost competitive and as an attempt to help the employers to tide over the difficult period had decided to forego the NWC increases in companies which have paid out normal annual increments.” It said that it was a sacrifice that the workers readily accepted if it meant that some jobs could be saved.

One of the unions that had announced its decision to forego the pay increases on behalf of its 13,000 members in the retail and service industries was the Singapore Manual and Mercantile Workers’ Union (SMMWU), which stressed that “in return, it wants employers to give an undertaking that they will make up for the loss when their fortunes change for the better”.



In 1985, many workers from Sanyo Electronics lost their jobs. The picture shows the retrenched workers picking up their last paycheck.

ECONOMIC COMMITTEE SET UP TO LOOK INTO CRISIS

Could retrenchment – with its heart-wrenching effects on both employers and employees alike – be avoided? Was there a way to help employers cope with an economic crisis without resorting to cutting down on jobs to save costs?

To address the issue, the government set up an Economic Committee in 1985, headed by then Minister of State in MTI, Brigadier-General Lee Hsien Loong, to look into how the Singapore economy could recover.

The main cause of Singapore’s woes, according to the committee, was the loss of her cost competitiveness. Over the years, the operating costs for businesses had been increasing steadily, especially wage costs, due in part to the high wage policy and also to a tight labour market.

As wages formed a substantial part of the total cost of running a business, most companies were affected.

The rise in costs could also be attributed to other factors. Professor Lim Chong Yah singled out the compulsory levy of 4 per cent of wages that a company had to pay toward the Skills Development Fund (SDF) and the steady increase in CPF contribution rates for employers through the years, upped in stages from 15 per cent in 1976 to 25 per cent in 1984.

All this affected company profit margins and many businesses found it difficult to upgrade operations.

INTRODUCTION OF COST-CUTTING MEASURES

To ease the financial burden on companies, the government introduced a slew of cost-cutting measures. These included a reduction in the company



The 12-member Economic Committee, helmed by BG Lee Hsien Loong (centre), then Minister of State for Trade and Industry, unveiled a slew of proposals in February 1986 that forged new directions for Singapore.

tax rate from 40 per cent to 33 per cent, a cut in the SDF levy from 4 per cent to 1 per cent of wages, and removing an existing payroll tax of 2 per cent. Property tax rebates were also given and some statutory board fees were lowered.

RIGIDITIES IN ECONOMY

The report of the Economic Committee, however, noted that despite the wage restraint of the unions and the cost-cutting measures, “average wages still rose by 3 per cent in 1985, exceeding productivity growth. Far from regaining our competitive position, on the present course, we are becoming less and less competitive. More rigorous measures are necessary.”

The crux of the problem, according to the committee, was the inherent rigidities of Singapore’s economy. In its report, it emphasised: “We have been slow to adapt to changed circumstances. For example, our wage costs cannot be reduced to fit leaner times, because we have not built into our wage structure the mechanisms of adjustment ...”

TACKLING THE ROOT OF THE PROBLEM

With drastic times calling for drastic measures, the committee came up with a set of far-reaching recommendations.

Chief among them was a cut in CPF contribution rates for employers which made up a large proportion of wage costs. A reduction of 15 percentage points, from the prevailing 25 per cent to 10 per cent would immediately cut down wage costs by 12 per cent, said the committee.

Take-home pay would not be affected by this measure. However, for households relying on their CPF contributions to pay off their property mortgages, the committee called on the government to make special arrangements to help them reschedule their housing loans.

The committee also recommended that the new CPF rate should continue for two years. In the meantime, it suggested that a government study be made on the “appropriate long-term rate of CPF contributions, one both adequate to meet the objectives of the CPF Scheme, and sustainable from the point of view of economic growth”.

The deep cut in CPF contributions was a bitter pill for workers to swallow as it meant a huge loss in their monthly CPF savings, down from 50 per cent to 35 per cent.

As NTUC’s then assistant secretary-general Lim Boon Heng put it in the February 1986 issue of *The Singaporean*: “The proposed 15 percentage point cut means a large saving to employers and it is a big sacrifice by all wage earners ... Investments in plant and equipment will be the reciprocal measure that employers should now make. It is the assurance our workers need.”

CALL FOR WAGE RESTRAINT

The Economic Committee recommended the implementation of a policy of wage restraint for the next two years so that after the CPF cut, the cost savings would not be eroded by timescale increments and collective agreement annual adjustments. In fact, “there should be no net increase in average wage costs after the CPF cut,” it said, adding that even after the recovery of the economy, “wage increases should as a rule not exceed productivity increases”.

NEED FOR WAGE REFORM

In its report, the committee highlighted the urgent need to work on reforming the current structure for wages so that rewards for workers need not always be in a form of built-in wage increases in good years which could not be adjusted downwards in times of poor business conditions.

There was a need to move away from fixed payment systems, it said, and have instead variable payment components in the wage systems which would enable employers to respond more quickly to economic crises without resorting to retrenchment.

WEAKNESSES OF THE RIGID WAGE STRUCTURE

According to the committee, there were several fundamental weaknesses in Singapore's wage system that had been inherited from the British colonial era.

For one, it was too rigid because of the seniority-based basic salary formula, which was based on a long timescale with pre-determined set annual increments granted automatically. The annual wage supplement or AWS, popularly known as the 13th month payment, was also fixed, frozen by law in 1972 at a minimum of one month's basic salary up to a maximum of three months.

Also considered part of the basic wage packet were annual NWC wage adjustments and merit increments rewarded to meritorious employees. When the wage adjustments were made according to NWC guidelines, they were implemented without taking into account a company's and individual employee's performance. All these components – the basic salary, annual increments, merit increments, NWC adjustments and the AWS – were permanently built into the salary structure of an employee once they were given out and could not be adjusted if a company was experiencing tough economic times.

DISADVANTAGES OF A SENIORITY-BASED WAGE STRUCTURE

For a long time, Singapore's salary system was skewed towards seniority. The longer an employee stayed in his job, the more he would be paid, as a reward for his experience. So the greater the length of service, the more the

worker would get compared to a new recruit, even when both were doing the same job.

The result was that wages were being governed by the years of service of a worker, rather than the value of the job, the performance of an individual or that of the company.

One consequence of this system was that in companies which had been around longer, there was a wide gap between starting salaries and the maximum salary reached on a timescale. What's more, their total wage costs would be higher when compared to that of newer companies.

For the individual, while he enjoyed more pay the longer he stayed in one company, he was at a disadvantage during a recession. To cut down on the cost of continuing in business, a company was more likely to retrench an older worker as he would cost more to keep.

Older workers losing their jobs would then face a quandary, especially if they had a family to feed and housing mortgages to pay. Finding a new job was also more difficult. If they did get hired, chances were they would find themselves starting at a lower salary.

NWC FORMS SUB-COMMITTEE ON WAGE REFORM

The NWC was then given the task of delving into wage reform. It set up, in April 1986, a Sub-Committee on Wage Reform to look into how wages could be better managed.

Ideally, the new wage system would have a variable component that would allow wages to be adjusted according to changing economic conditions so that companies could trim down on costs and avoid retrenchment. It should keep in mind the need to protect older workers from retrenchment while maintaining payment rates reflecting the value of a job. The new system should also ensure wage increases lagging behind productivity

while providing motivation for both management and workers to increase productivity.

The 12 members of the sub-committee were drawn from the tripartite partnership of NTUC, the employer groups and the government. They identified the shortcomings of the prevailing system and pinpointed the key areas for reform. To help them in their deliberations, they also invited feedback from the public and studied the wage systems of other countries. Apart from 22 submissions made by individuals, private companies and organisations, there was also feedback obtained by representatives of the Ministry of Labour through dialogue sessions and meetings with various business organisations in Singapore, industrial relations practitioners and unionists.

In addition, presentations were made to the sub-committee by specially invited experts who briefed the members on subjects such as the wage system in Japan and industrial relations professionals from the electronic sector who gave their views on how a wage system could be made flexible.

NWC PROPOSES A FLEXIBLE WAGE SYSTEM

After six months of deliberations, the NWC Sub-Committee on Wage Reform submitted its report in November in which it recommended the adoption of a flexible wage system. The benefit of such a system, it argued, was that it would allow wages to go up or down depending on the state of the economy and a company's profitability. Thus, when times were good, workers would be able to enjoy higher wages. However, when the economy was bad, wages would have to be adjusted downwards.

In coming up with its proposed new wage structure, the sub-committee kept several principles of a "desirable wage system" in mind. This included having wages reflecting the value of a job; that wage increases should be



linked to a company's profitability and individual performance and that they should lag behind productivity growth. Equally important was the consideration that wage increases should not always be linked to length of service.

So for its recommended new wage structure, the NWC sub-committee suggested that companies should have a basic wage to "reflect the value of a job and to provide a measure of stability to a worker's income". Included in this basic wage would be the AWS, fixed at one month of the basic wage. If circumstances called for it, the AWS could be adjusted.

It was also proposed that an annual variable component (AVC) or variable bonus payment be paid – on a yearly or half-yearly basis – depending on a company's performance. This AVC would be the first component to be cut or completely foregone during a business downturn since it is directly linked to a company's profitability. If a company did "consistently well and could afford a variable payment averaging two months' basic wage each year in

On 15 April 1987, Sidek Saniff, parliamentary secretary for MTI, spoke at the half-day seminar on "Flexible Wage System for SMEs" organised by the Association of Small and Medium Enterprises at Ming Court Hotel.

normal circumstances,” the total variable amount, together with the AWS amount, could add up to at least three months’ basic wage. In other words, up to 20 per cent of wages could be variable.

The sub-committee added that a “small service increment” of about 2 per cent of an employee’s basic wage could also be included as part of the flexi-wage to reward a worker for his years of “service, loyalty and experience”. The annual increment could be negotiated annually or fixed during the validity of a collective agreement. If need be, this increment could be reduced or be delayed in a downturn.

Finally, it was recommended that since wages should reflect the value of a job, the two end points, that is, the maximum and minimum points of a salary range for the same kind of job should not have too wide a gap. The sub-committee proposed fixing this at 1.5 times. It also suggested tying wage increases to an individual’s performance.

In order that there be flexibility, it was recommended that wages be reviewed at intervals of not more than three years and should preferably coincide with the renewal of collective agreements.

For the new wage system to be effective, the sub-committee appealed to companies to share relevant information. It was a call taken up by the unions, emphasising in an article in the February 1987 issue of *The NTUC News*, that “wage reform can be effected only if companies are prepared to share relevant information”.

TWO WAGE REFORM MODELS PUT FORWARD

To help companies put in place the new wage system that would suit their needs, two models were presented. One was based on profit-sharing while the other was tied to productivity gain-sharing. Companies could adopt them, fine-tune them or come up with their own.

PHASING IN PERIOD OF FIVE YEARS

Recognising the difficulty that most companies would experience in adopting the new flexi-wage system, a phasing-in period of five years was recommended.

In the interim period, noted the sub-committee, the NWC through its tripartite partnership would have “to play a crucial role in maintaining the consensus for reform” and provide guidelines for total wage increase for companies “that are unable to develop their own productivity indicators”.

IMPLEMENTATION OF A FLEXIBLE WAGE SYSTEM

At the end of the five year phasing-in period in 1991, it was estimated that more than 70 per cent of businesses had adopted some form of flexi-wage system to link wage increases to productivity and company performances. As expected, more unionised companies than non-unionised companies had gone on the path of flexible wages.

As a result, unionised companies were more responsive to changing market conditions than their non-unionised counterparts when the economic growth for 1991 was registered at 6.5 per cent, a drop from the 10.1 per cent growth rate in 1990. Putting the flexi-wage system into practice, the unionised companies paid lower basic wage increases with higher bonuses than non-unionised firms.

A survey of unionised companies carried out by NTUC showed that most workers received between a 2 and 4 per cent built-in wage increase in 1991 compared to 4 to 6 per cent in 1990.

The unions, however, did note some problems in implementing the flexi-wage system. One was the absence of a measurement of the performance of some companies, for instance, while another was due to the reluctance of some companies’ management to share information on their performance, citing confidentiality reasons.

Case Studies in Wage Reform

In 1988, a SNEF survey showed that many of its member companies had yet to implement the flexi-wage system. For those who did, there were clear advantages. So to help prod companies which had yet to implement the flexi-wage system to do so, it decided it was best to put them on the right path by using case studies of businesses that had put in place the system and how employers and employees alike had benefitted from it.

The result was a publication, *Case Studies in Wage Reform*, widely circulated among its members. The case studies revealed a mix of models used by those who had put the new flexible wage system into action. A cross-section of industries was profiled, big and small, to show that wage reform was possible whatever the size or type of business.

Most of the 50 companies that were studied used the profit-sharing model while some opted for the productivity gain sharing model. Others used a combination of the two and yet others devised their own flexible wage scheme. But whatever the model adopted, one thing was clear: The new variable wage model adopted by the companies had helped to make them more nimble and enhance their edge over others in an increasingly competitive market. As reward to workers is linked directly to profitability, workers also benefit from higher bonus payments in times of good company performance.

Annex 2 on pages 197–199 highlights a couple of companies profiled in *Case Studies in Wage Reform 1988*.

UNEMPLOYMENT REINED IN

Economists consider the flexi-wage system to be an important “automatic stabiliser” to the economy.

With the introduction of the flexible wage system as recommended by the NWC, companies were able to make quick adjustments to their wage costs according to the prevailing economic conditions. This helped to boost Singapore’s overall competitiveness and rein in the unemployment rate from 6.5 per cent in 1986 to 4.7 per cent in 1987 and 3.3 per cent in 1988.

For NTUC’s secretary-general Lim Swee Say “the flexible wage system has set the foundation to manage wages for the last 25 years.”



Lim Swee Say (left, in light blue shirt), Minister in the Prime Minister's Office and secretary-general of NTUC visited Singapore Power's Telok Blangah substation on 7 November 2012. NTUC and the Singapore Workforce Development Agency (WDA) has launched a \$13 million training fund for those in the oil, petrochemical, energy and chemical sectors. The fund will subsidise the training of 1,000 workers over the next three years.

CHAPTER 7

Ushering the era of qualitative wage guidelines

For NWC, the 1985 recession and its aftermath marked the end of the era of quantitative guidelines and the beginning of a new dawn of qualitative guidelines.

Until then, NWC had been issuing guidelines specifying the actual quantum of wage increase to be paid each year.

WHY THE CHANGE?

The change from quantitative to qualitative guidelines is significant. It stemmed from Singapore's first recession in 1985 which saw across-the-board retrenchment in many companies with rank-and-file workers and management executives alike losing their jobs.

The government had then set up an Economic Committee to study what went wrong and to come up with solutions. Headed by then Minister of State in MTI, Brigadier-General (Res) Lee Hsien Loong, the committee cited the inflexibility of Singapore's wage system as a major culprit.

Addressing the NUS Business Administration Society on 20 September 1985, Mr Lee elaborated: "A wage system which rewards employees well in

a good year should not lock a company into paying the same high wage (in) subsequent years, which may be lean ones. Unfortunately, this is, to some degree, what has happened to us. One way is to introduce a component of variable bonus or productivity incentive into the wage package ... Perhaps the NWC should take a less prominent role in our wage adjustment process.

“The government proposes to recommend to the NWC that from next year, the NWC should not issue an annual wage recommendation, which gives a specific number or range for the appropriate increase. Employers and the unions will henceforth have the opportunity for direct collective bargaining on the annual increments and bonuses.”

A month earlier, in a debate on 31 August 1985 on the state of the economy in Parliament, then First Deputy Prime Minister Goh Chok Tong had even questioned not only the usefulness of the NWC quantitative guidelines but also of NWC itself. He had said: “The National Wages Council sets guidelines for wages in the past. I think wages for workers should be custom-tailored. It is better in the next few years for us to move away from a single wage guideline, or even a range of wage recommendations for managements and workers. Let managements and workers negotiate on what the wages should be for their companies. The National Wages Council should go into hibernation for two or three years and allow wage levels to be negotiated between employers and employees.”

And so began the era of qualitative guidelines on wage increases, first issued in 1986.

On the doubts raised then over NWC and the transition from issuing quantitative guidelines to qualitative recommendations, Dr Lee Boon Yang, the former Minister for Manpower (1992–2003) said: “I think we have to weigh the comments made in the mid-'80s in the context of the NWC deliberations and recommendations. At that time the NWC was recommending dollar specific numerical guidelines for wage settlement. If we had carried on

in this manner, I would agree that it would have become irrelevant and could actually inhibit market-sensitive wage settlements.

“As it turned out, the NWC had prudently steered away from dollar specific recommendations to qualitative guidelines by the mid-1980s. These guidelines were crafted in the light of the prevailing economic conditions and business prospects, the expected impact on Singapore and state of our labour market. They provided the reference points for unions and their companies to negotiate wage packages which were most appropriate for the company’s viability and workers’ well-being.

“One key message that the NWC conveyed was that, while NWC guidelines called for sacrifice by workers in the form of wage restraint or wage cut when companies were facing severe threat and survival was at stake, the companies’ management were also urged to take the lead and take earlier and/or deeper wage cuts. Employers are also called upon to reward workers for their productivity and contribution to the company’s success.

“Overall, the NWC has not only been effective in helping to reshape the wage structure into a more resilient and responsive framework, for example, with the inclusion of the MVC (monthly variable component) from 1999, more importantly, it has fostered harmonious industrial relations and strengthened tripartite partnership, which has been a critical factor in attracting FDI (foreign direct investment) and creating jobs.”

As the United Workers of Electronics and Electrical Industries (UWEEI)’s then general secretary Cyrille Tan noted, moving away from quantitative to qualitative guidelines allowed for more flexibility in wage negotiations. “It also helped to accelerate wage reform so that wage increases are more



SNEF’s president, Stephen Lee, explaining the qualitative NWC wage recommendations to employers in 2012.

closely linked to the performance of the economy, company and individual employees.”

With a flexible wage system companies could adjust wage costs more responsively to changing business conditions so as to remain competitive in the global market. This is especially so in the electronics sector, where many of his union members come from.

He explains: “It is a very volatile sector in nature and for companies in this sector, the wage increase and annual bonus is based on their competitiveness in the global market vis-a-vis other MNCs operating globally.”

QUANTITATIVE VERSUS QUALITATIVE GUIDELINES

Which is better – quantitative or qualitative?

While each of the tripartite partners in the NWC concede that quantitative guidelines are useful in their own way as they spell out a specific quantum thus eliminating guesswork, qualitative guidelines, on the other hand, allow the unions and employers flexibility in interpretation.

As SNEF’s executive director Koh Juan Kiat puts it: “Guidelines are not meant to be prescriptive so that it allows companies to adopt them flexibly. With quantitative guidelines, it can become too rigid, resulting in employers choosing not to follow them.

“I would say employers prefer qualitative guidelines and SNEF can assist them with information and advice on the implementation if necessary.”

NTUC’s president emeritus John De Payva points out that with qualitative guidelines, the “problem shifts to implementation. Employers, the human resources team and union leaders have to study the guidelines carefully to come up with how best to implement them.

“This makes qualitative guidelines more stressful to implement than quantitative ones as they just give a broad framework without dollar amounts given. But qualitative guidelines, in a sense, define the negotiator; they

show up the ability of a negotiator and the skills employed in implementation.”

Employers, he said, generally prefer qualitative guidelines as they allow more leeway and flexibility in implementation while unions tend to prefer quantitative guidelines “if only because figures are easier for the rank-and-file workers to relate to”.

For the Amalgamated Union of Public Employees (AUPE) then general secretary, Teo Yock Ngee, the implementation of qualitative guidelines for the public sector “is not really easy”.

He said: “In the early years of the NWC, when quantitative guidelines were issued, fixed amounts in wage increases were mentioned and we could follow them strictly – nothing more, nothing less.

“When qualitative guidelines were issued later, we had to look into the guidelines carefully and examine how they could be implemented.

“For the public sector which covers the civil service and statutory boards, after the NWC guidelines are issued, we will meet with the Public Service Division to study the guidelines and look back into the past to find out what was paid and then arrive at certain figures.

“The public sector has to look at the total wage bill involved and what it can pay. The civil service cannot take a lead too far from the rest.”

The private sector, on the other hand, he says, “will then look at the public sector to see how it will pay and take its cue from there. Generally, if a private company does well, it can pay well.

“Qualitative guidelines are more flexible but they require a lot of skill, negotiation, trust and confidence as well as the sharing of information.”

By and large, Mr Teo feels that NWC guidelines, whether quantitative or qualitative, “have been very helpful. We look forward to them each year. Since 1972, the guidelines have helped – the system has worked well.



(From left) John De Payva, then NTUC president, Teo Yock Ngee, then NTUC secretary for financial affairs and AUPE general secretary, and Halimah Jacob, then NTUC deputy secretary-general at a dialogue with union leaders.

Workers in the civil service are very appreciative as they look forward to the new suggestions that the NWC might recommend in addition to what they already have.”

The qualitative guidelines set an overall tone for the economy as a whole, setting a reference point for most unions and companies, says MOM's permanent secretary Loh Khum Yean. “Even in good times, individual companies or segments of a sector perform differently so qualitative guidelines give them appropriate flexibility.

“Before 1985, when the NWC made strong quantitative recommendations, they were very specific and rigid. Although companies were expected to follow the guidelines, in reality, they might not have been able to do so due to their own business circumstances.”

For NTUC Secretary-General Lim Swee Say, the downside of quantitative guidelines was that not all industries performed at the same level so specifying a quantum is difficult.

He said: “The move from quantitative to qualitative was the right move because the gap in the performance of companies has become even wider now with more ups and downs and the wage system had to become even more responsive and flexible.”

Mr De Payva speaks of the wonders of flexibility that qualitative guidelines give. He said: “If any of the union officials have difficulties in implementing the NWC guidelines, they have the NTUC industrial relations unit to fall back on and its industrial relations officers can assist.

“After the NWC guidelines are approved, SNEF and NTUC will have a briefing with its members on the same day itself.

“In the case of NTUC, we will have a meeting of all our union leaders. We will inform them of the guidelines and how we would approach them, taking questions and giving advice.



The picture shows union leaders discussing the NWC guidelines after they were announced.

“There is no situation where the leaders attending will agree on a common approach. The exceptions are obvious. If we say, for instance, the unions should negotiate 3 to 5 per cent in wage increase, if the leader comes from a company that is doing well he will want more, such as 5 to 8 per cent.

“There is a provision in the NWC that we can depart from guidelines. They are, after all, guidelines. And if they are still not happy with the implementation, we encourage them to go to MOM and eventually to the IAC.

“The unions are aware that they set the pace which many non-unionised companies would have to follow because if they don't, workers in these companies would not be happy and could decide to join the unions.”

QUALITATIVE GUIDELINES ARE SOMETIMES TOO FLEXIBLE

MOM's senior director, Labour Relations and Workplaces Division, Ong Yen Her recalls how during the early years of qualitative guidelines, the unions

and employers would often need to go for mediation at MOM if they could not agree on the outcome of wage negotiations at the company level. “It has happened less frequently in recent years as the parties gain more experience in implementing the guidelines,” he said.

With the improved ability of parties to work together and with an increased level of trust, the parties are now able to resolve differences more easily among themselves.

Qualitative guidelines, Mr Ong says, have provided flexibility for the negotiating parties to adapt to their own circumstances. But he is concerned that “qualitative guidelines might be outliving their usefulness as the guidelines tended to be too broad for people to follow. In many situations, the final outcome of negotiations depends on how one interprets the guidelines and their bargaining power.

“For instance, if the guideline is ‘sustainable wage increase’, what exactly does ‘sustainable’ mean? To the employers, ‘sustainable’ could mean low wage increases while to the workers and unions, wage increases should be higher. Such guidelines are subject to interpretation. There has been feedback from companies and unions on the difficulty of implementing guidelines when both sides interpret them differently.

“In another instance, if a guideline suggests implementing a moderate wage increase, it is also open to different interpretations since what is moderate to one party may not be so for another.

“Even for the Ministry of Manpower and the Industrial Arbitration Court which use the NWC recommendations as a basis for conciliation and arbitration in disputes, have at times faced difficulty in interpreting the guidelines.

“The reference points and language used in qualitative guidelines are frequently similar and are often repeated over the years. The danger is that NWC guidelines may not be taken seriously.”

CHANGE TO RANGE GUIDELINES PERHAPS?

Given the challenges of qualitative guidelines, Mr Ong said that it may be timely for the NWC to try out range guidelines which were recommended in the early 1980s. He said: “The range guidelines which set a relatively narrow range with minimum and maximum OB (out-of-bounds) markers will enable companies to implement the guidelines with some degree of flexibility based on their performance and at the same time, will not deviate from the recommended range. This approach could, perhaps, be tried out for a few years.”

He pointed out how NWC was not adverse to change when it ventured back into quantitative guidelines for 2012/2013 – the first time since 1986 – when it recommended the specific figure of at least \$50 as a pay increase to workers earning up to \$1000.

He stressed: “It would be a pity if NWC guidelines were to become less relevant and companies and unions do not take them seriously in their negotiations. We must preserve them and continue with them for the benefit of businesses, workers and the economy,” he said.



(From left) SNEF President Stephen Lee, Acting Minister for Manpower Tan Chuan-Jin, NTUC President Diana Chia and NTUC Secretary-General Lim Swee Say at the Singapore Tripartism Forum Dialogue “Leveraging Tripartism for Quality Growth, Competitive Businesses and Inclusive Workforce” on 11 April 2013.

CHAPTER 8

Industrial harmony and tripartite cooperation

You could say that they were cajoled into it, but ultimately tripartism triumphed. And the shining example of this was NWC. Its success over the years has sparked off the formation of more tripartite organisations in which employers, unions and the government have worked together effectively to deal with a wide range of socio-economic issues.

Yet, when the tripartite relationship first began, there were doubts over whether it would work. The reservations were voiced by all the three social partners alike – unions, employers and the government.

Given the background of how the troika got together, the scepticism is understandable.

It all began in the late 1960s and early 1970s with the unions and the employers responding to the government’s call to put aside their confrontational labour-management relationship of the past to work together to bring industrial peace and harmony in a newly independent nation that was trying to forge an economic future.

Without a doubt, it was NWC that was the institution that would lay the foundation for successful tripartism in the years to come, providing the framework for other tripartite committees in Singapore.

The formation of the NWC in 1972 brought the unions, employers and the government together to formulate wage guidelines that would put in place orderly wage increases and minimise wage disputes.

This three-way relationship, built on the pillars of trust and understanding has resulted in Singapore's harmonious industrial relations climate today. Thanks to tripartism, other potentially thorny labour-management issues over the years have also been resolved through consensus building and agreement on a common solution that would be beneficial to all.

This consensus approach is now regarded as the norm for tripartite cooperation. However, those involved have pointed out that such consensus building took time to nurture and that it did not happen overnight.

MOM's senior director Ong Yen Her said: "Without a doubt, the NWC paved the way for the development of a strong tripartite partnership because of the positive experience of all partners working with each other based on the understanding of 'give and take' and the broader principle of consensus for the good of Singapore. It provided a win-win-win outcome for the economy, businesses and workers."

But he described how it had taken years for tripartism to develop. In the early days, he said, the unions and employers were simply trying to get to grips with each other.

"The two sides had little common ground and did not trust each other. The employers were very guarded and wary of the unions.

"I remember at the NWC meetings in those days how employers would always paint a gloomy picture of the economy, complaining of the high cost of doing business, rising wage bills and CPF contributions. The union, on the other hand, would single out how well companies had done and how in a tight



Tripartite leaders engaging employers and union leaders on tackling manpower challenges.

labour market, it was not right to hold back wage increases from workers ... Both sides would always bring their own data, skewed in their favour, to bolster their arguments.

"It was a slow process; in fact, there could be as many as 10 sessions or more before we could draft any guidelines but the fact that over the years, all parties could come to a consensus on what is the most contentious issue of all – wages – it meant they could discuss other issues after that."

Concurring, SNEF's president Stephen Lee remembers meetings being "more guarded many years ago ... there was a lot more bargaining and less problem solving but over the years, as the partnership got closer and trust levels improved ... there was more frank discussion ... more problem solving ... based on facts and figures than on emotions."

NTUC's president emeritus John De Payva describes the atmosphere of negotiations today as "constructive." But in the earlier years, he said, "The

meetings were not always cordial which was understandable as employers wanted to moderate cost increases as much as possible while unions wanted their workers to get a higher share of wages.”

Indeed, this had on several occasions led to some protracted negotiations when accord could not be reached. Mr Lee also recalls how there were often lengthy meetings, sometimes for days, before consensus would be achieved. Sometimes, disagreements over some issues were so serious that there would be a deadlock and no decision could be made.

How times have changed. In recent years, NWC meetings have shortened considerably thanks to the development of greater cooperation and mutual understanding among the social partners. Not only have meetings become less prolonged, fewer of them are held now as it has taken less time for NWC members to agree on guidelines.

LEADERSHIP PLAYS A PART

Part of this success of tripartism boils down to having the right leadership and personalities, according to Mr Ong. “The tripartite spirit took some time to evolve,” he said. “Apart from having a common economic data to work from, when the parties agreed to use statistics provided by the government, rather than their own, strong leadership was instrumental in developing a climate of trust.

“In the early days, the unions were led by grassroots leaders, who tended to be more emotive in their arguments. With the recruitment of industrial relations officers, who were graduates, the ability to engage the employers in collective bargaining and representation was greatly strengthened. This, in turn, enabled the union to enhance its image and to attract more members.”

NTUC President Emeritus John De Payva added: “It is true that there was a stark difference between the union leaders of today and those of the 1970s.



Announcement of NWC guidelines.

“Realising that, the NTUC decided in the 1980s, to bring in technocrats into the labour movement with qualifications to match those of the employers. There was a need to be on par with them so that they would be on the same wavelength and there would be constructive discussion,” he said.

But it was not just the type of leadership that mattered; the success of tripartism also hinged on personalities, stressed Mr Ong.

“The NWC provided a platform for tripartism. But while structure is important, it is having the right personalities that make it work – partners who could work together and have a high level of trust and respect and a willingness to make reasonable trade-offs to reach consensus.

“Stephen Lee, SNEF’s president, for instance, has long been a stabilising factor providing strong leadership to employers, who comprise many diverse business groups – foreign and local chambers of commerce and manufacturers.

“Then there is Lim Boon Heng and later Lim Swee Say providing leadership for the unions as secretary-general. In fact, when Lim Boon Heng was appointed secretary-general of NTUC in 1993, he found he was able to discuss frankly with Stephen Lee and a kind of mutual trust developed between them.

“In addition, they both share the same trait of being humble, approachable and consultative which has enabled them to play an effective role in not just getting support from their own constituents but also from the opposing party.

“Then there is the chairman, another important factor – apart from having the necessary stature, the chairman has to be impartial and neutral.

“The government, on the other hand, usually plays a facilitative role.”

It is thanks to NWC, which provided the forum for tripartism that a strong tripartite partnership was able to develop and is the reason why “we have been enjoying a golden era of industrial relations,” declared Mr Ong.

HOW TRIPARTISM WORKS

In getting tripartism to work, each of the three social partners has a unique part to play. For the government, it plays the role of a juggler, doing a balancing act between the unions and the employer groups as mediator and facilitator.

Mr Ong elaborated: “We have to work with the unions and employers to come up with proposals that are fair and acceptable to both sides and benefit the country in the long run. The government’s view is long term while that of the unions and employers tend to be short term.

“In other words, ‘You live not just for today but also for the future.’”

In Mr Ong’s view, tripartism works as long as the tripartite partners are strong and able to carry the ground.

TRUST IS KEY FOR THE UNIONS

For the unions, trust is the ultimate factor – the fact that employers keep their word. As Mr De Payva explained, what sealed his approval for tripartism was the crisis in 1985. In a media interview, he said: “There was this big recession and we had to take huge cuts and employers’ CPF contributions went down to as low as 10 per cent from 25 per cent. (But) there were enough assurances from the government and employer groups that they would not take things for granted; that they would not forget (the sacrifices of the workers) ... and we saw that they did just that and that sort of cemented tripartism in Singapore.

“That was how we started to have true faith in the social partners,” he declared.

In his annual message to NTUC in 1999, then Secretary-General Lim Boon Heng also gave his take on trust and tripartism. He said: It is tripartism, based on trust, that will keep us in a strong, competitive position – for the benefit of workers, employers and society. Trust among the tripartite partners also plays a big part in our ability to cope with the economic downturn. But we cannot take things for granted. New people come into key positions in government, in companies, in unions all the time, and we cannot assume that they will automatically embrace tripartism. We will have to develop strong institutional linkages, and warm personal relationships, continuously.”

INSTILLING FAITH IN TRIPARTISM

For the employers, matters are more complicated due to the fact that they are a disparate grouping within NWC, comprising many organisations. While most employers see the value of tripartism, SNEF as the main employer group needs to achieve consensus among employers to ensure that tripartism actually works. What’s more, even among its members, SNEF’s task is to ensure that they understand the true value and benefits of tripartism.

Mr Lee explains: “The tripartite approach can be quite foreign especially to MNCs so we have to explain how it works and why we take a cooperative approach with the unions here and how it is possible to have no work stoppages.”

SNEF’s vice-president Alexander Melchers, who is also vice-president of the Singaporean-German Chamber of Commerce and Industry adds: “Our major cause is to ensure that not only Singaporean CEOs should be aware of how tripartism works, but also foreign CEOs and especially those heading MNCs for whom tripartism may be an alien concept.

“SNEF organises lunches and briefings for newcomers to explain to them the mechanism of tripartism and how employers have to engage with the unions.

“I do that for the German chamber of commerce as well. In Germany, for instance, employers tend to be very wary of unions. This is likely because many unions in Europe have become fairly political; it appears their only target is to categorically increase workers’ benefits without taking into consideration the economic environment, productivity, employment and the profitability of the respective company.

“It is important for SNEF to remind foreign CEOs that unions here have a different mind-set than unions in other countries. We make sure they understand how tripartism works.”

FOSTERING CLOSER TIES OUTSIDE OF NWC

It also helps that there are other avenues to fostering good relationships among the three social partners, contributing to more effective tripartism.

These off-Council get-togethers started with the annual tripartite golf tournament first held in 1993 at the suggestion of then Prime Minister Goh Chok Tong to encourage social interaction among the partners. The success of the tournaments later inspired the setting up of a weekly Wednesday golf

OPPOSITE:
Tripartite partners coming together
for the annual Tripartite Golf Friendly.



session attended regularly by NWC members who agree that they have become an invaluable means of cementing relationships on an informal basis.

Mr Melchers said: "It is an opportunity to socialise and have an informal exchange of views. Seeing each other in a different setting and building up such regular contacts makes it easier to just pick up the phone and call one another to talk if necessary."

A more relaxed setting on the golf course has sometimes helped the tripartite partners explore possible solutions to be later tabled in the formal setting of NWC.

Mr Melchers elaborates: "There are 30 people who get up at 5 am to play nine holes together on a weekday. We play a good game, have a small breakfast and everybody rushes to work after that. Sure, we have a bit of fun and there is some good-natured teasing but there is an element of effort involved in taking part as there are other options, such as skipping it and rising later or playing golf with one's own buddies at a more convenient time like over the weekend instead.

BELOW LEFT:
Union and employer representatives together with MOM staff at the Tripartite Lo Hei Lunch 2012.

BELOW RIGHT:
Tripartite representatives discussing the NWC guidelines.



"In this case, everybody makes an effort to be there because they know it does serve a purpose and that it provides an opportunity to socialise, get to know one another better and to build up trust."

Lim Boon Heng also expounds the value of the "Wednesday group" as he calls it. He says: "The reason for holding the weekly golf session was to create a platform where we could socialise and get to know each other better and to feel comfortable enough to raise issues informally.

"When I was no longer in the NWC after being appointed secretary general and a minister, I remember a couple of occasions when the viewpoints of employers and those of the NTUC team were not going in the same direction in NWC negotiations. Because of the informal relationship built up over the years during the golfing days, Stephen Lee felt comfortable enough to tell me that the unions' position was untenable and that the employer groups in the NWC could not agree to it. He asked if I could do something to steer the NTUC group into the same direction."

Away from the fairways, non-golfing members of the NWC also have regular sessions to bond and develop camaraderie – on Wednesdays as well

BELOW LEFT AND RIGHT:
4th Tripartite Bowling Friendly 2011.



– when they get together for breakfast and informal discussions in a Queen Street kopitiam.

There are other occasions to mingle and build up rapport. There is the yearly Bowling Friendly for all tripartite members held after the conclusion of the annual industrial relations seminar organised by NTUC.

Mr Lim recalls how when he first joined NWC, it was impossible for him to be seen having lunch with representatives of employer groups as it was seen as “a sign of betrayal.”

This is no longer so. “Thank goodness,” he says, “as eating is a good way to bond.”

There are other means to get tripartism to work, sometimes behind-the-scenes. Mr Lim recalls: “When Ong Yen Her was a neighbour, living on the same street, at times when the NWC was having difficulty making headway, he would ring my doorbell to ask if I could help get the unions to budge on a certain position so that consensus could be achieved!”

TRIPARTISM DIFFICULT TO REPLICATE

The success of Singapore’s brand of tripartism has encouraged other countries to replicate it but they have been unable to do so because of the difficulty in obtaining consensus, said Professor Lim Chong Yah.

As SNEF President Stephen Lee puts it, “Tripartism is easy to understand as a concept but it is not easy to implement”, citing how visiting employer organisations often lament that they found it difficult to implement the Singapore brand of tripartism in their own countries.

Indeed, says Mr De Payva, organisations such as the International Labour Organisation (ILO) have been so intrigued by the unique tripartite relationship that on one occasion immediately following the global financial crisis, the NWC partners were invited to share the unique tripartism at the ILO annual conference in Geneva.

He said: “When we were there, we realised that ours was the only tripartite nucleus. In 2011, we were even invited to Barbados to roll out our brand of tripartism to the Caribbean region and share on how it works.”

TRIPARTITE COOPERATION GOES ON TO A HIGHER LEVEL

Tripartism and the harmonious industrial relations climate received a further boost with the formation of the Singapore Tripartism Forum (STF) launched on 24 January 2007 by Prime Minister Lee Hsien Loong.

The aim of the forum is to broaden, deepen and strengthen the spirit of tripartism by providing a platform for leaders to get together to discuss issues through a more structured framework.

Since then, many tripartite events have been organised under the auspices of the STF. Each year, the STF will organise several major events such as the Post Budget/COS dialogues, Fair Employment Practices Conference and the annual Tripartite Industrial Relations Seminar, among others. The panel discussions involve participants from businesses, trade unions and government officials.



Prime Minister Lee Hsien Loong at the inaugural launch of the Singapore Tripartism Forum.



During the Asian Financial Crisis of 1997/1998, over 20,000 workers were retrenched. The picture above shows anxious workers retrenched from Philips Singapore registering themselves with NTUC's and MOM's job banks at the Ministry of Community Development & Sports (MCDS) Building.

CHAPTER 9

Crisis management

NWC's first chairman Professor Lim ChongYah is fond of alluding to the fact that when he was tasked to head the Council, he knew he would be dealing with recommending orderly wage increases from year to year but not with economic crisis management. But as it turned out, during much of his nearly three decades of tenure, that was exactly what the Council had to deal with.

But on all these occasions, NWC proved itself thoroughly capable – and nimble – to come up with recommendations and measures to ride the storms, all thanks to the trust and healthy working relationship built up among the tripartite partners.

1997 ASIAN FINANCIAL CRISIS

Just over 10 years after overcoming the dire effects of the 1985 recession through a period of wage restraint and wage reform, Singapore was once again confronted with the downturn in its economy, this time caused by the Asian Financial Crisis of 1997.

The crisis began in Thailand with the collapse of the Thai baht in July 1997, touched off partly by the overextension of the country's economy. It quickly spread to other Asian economies, causing a slump in their currencies and a devaluation of their stock markets.

NWC adopted what Professor Lim Chong Yah called a “watchful waiting” policy to see how the events unfolding would affect Thailand's neighbours. The “wait-and-see” attitude was full of anxiety for all tripartite partners concerned. But, said Professor Lim, it was the right stance to take.

After all, to cope with the expected slower growth, NWC had, in May 1998, recommended wage restraint guidelines for 1998/1999 to help contain the cost of doing business and minimise unemployment in Singapore.

He wrote in an article entitled “NWC and Macroeconomic Management” in which he analysed the crisis: “The NWC did not find it absolutely necessary to react until September 1998. That was considered the best time to deflate costs to stay competitive, and to keep the economy afloat in the midst of mounting turmoil in much of East Asia, with the collapse of many neighbouring exchange rates and their stock markets ...”

In the meantime, the government stepped in with an Off-Budget package of \$2 billion in June to help reduce business costs. Among the measures were property tax rebates for commercial and industrial properties and rental and utilities rebates by government agencies.

When it was time for NWC to react, it did so swiftly. This was when things took a drastic turn for the worse in the external environment, triggering a decline in Singapore's economy in the third quarter. Productivity had gone down by 2.5 per cent and most sectors were posting negative productivity growth. Retrenchments were proceeding at a rapid rate and in the first nine months of 1998, the number of people who had lost their jobs had climbed to 20,000, more than double the 9,784 workers laid off for the whole of 1997.



MOM was getting worried that unless some measures were taken, the situation would worsen in the months ahead. The same anxiety was shared by the two social partners, with the business group led by SNEF calling for wage restraint so that jobs could be saved. This was supported by the labour movement led by NTUC. Companies were urged to use retrenchment as a last resort.

The situation was quite grim, recalls the president of SNEF, Stephen Lee, who pinpointed the Asian Financial Crisis as the one of the worst that SNEF member companies had to face. Cash flow was affected and many companies were simply struggling to stay afloat. A SNEF survey conducted in March 1998 showed that several member companies, in their efforts to survive, adopted measures such as trimming pay raises, cutting down on overtime work and putting a freeze on recruitment. Others were staring at options such as downsizing, merging, selling out or even folding up.

The scenario before NWC intervention led to some inventive measures. In June 1998, for instance, the tripartite partners set up a Tripartite Panel on Retrenchment which issued a set of tripartite guidelines to help businesses explore ways and means of retaining staff rather than axing them, such as

ABOVE LEFT:
Workers gathered outside Western Digital's Chai Chee plant after learning that they would be retrenched in 1998.

ABOVE RIGHT:
Retrenched staff from Micropolis during the Asian Financial Crisis of 1997.



In 1998, unemployed people including those who were recently retrenched registered for jobs at MOM, which implemented the Employment Assistance Programme to pool job vacancies from companies that needed workers so that retrenched workers could be more effectively assisted in securing employment.

implementing a shorter work-week, temporary lay-offs and sending workers for skills training.

With this programme, companies would be spared the problem of rehiring workers when the economy improved.

However, if companies had no other alternative than to retrench workers, the latter should be given help in being placed in jobs that could assure them of long-term employment.

To achieve this, businesses were asked to take advantage of the incentives provided under the Skills Redevelopment Programme to train workers to meet new job needs. The panel pointed out that although some companies might be retrenching, others might be hiring thus allowing the retrenched workers to fill the vacuum. And if the retrenched workers lacked the right skills to fit into their new potential job, they could go for training to equip them with the necessary skills under the Skills Redevelopment Fund which would pay for the bulk of companies' training costs.

On top of this initiative, an Employment Assistance Programme was created under the wing of MOM with the objective of centralising data on job vacancies. This allowed a company retrenching workers to submit this information which other companies, looking to hire, could tap on.

Companies were encouraged to make use of the downturn to re-train employees under the subsidised Skills Redevelopment Fund to enhance their employability and upgrade their skills.

NWC RECONVENES IN 1998

NWC reconvened a special session in September 1998 to take stock of the situation – the first time ever that it had to do so. The recommendations it had earlier issued for 1998/1999, advising wage restraint and containment of non-wage costs were considered inadequate to combat the situation. What was needed was a strategy to reduce total business costs to enable businesses to remain viable and minimise job losses. Apart from helping businesses recover their cost-competitiveness, the new strategy, reasoned NWC, would instil greater confidence among foreign investors in the Singapore economy.

After two months of deliberations, the Council issued a revised set of guidelines in November 1998 recommending a cut of 5 to 8 per cent in total wages to achieve a cut in overall wage costs of 15 per cent from the 1997 level. This would result in a reduction of \$10 billion in business costs, with \$7.5 billion coming from wages. NWC noted, however, that companies “doing exceptionally well or very poorly” could deviate from this general guideline.

As recommended by the Committee on Singapore's Competitiveness (CSC), NWC supported a 10 percentage point reduction in the employers' rate of 20 per cent of CPF contributions, since this alone represented a cut of 8 per cent in overall wages. Workers were unhappy with the cut as the CPF rate for employers and employees had just reached the 20:20 level and they were also concerned about their ability to service housing loans. NWC

recommended readjusting the rate upwards again upon the recovery of the economy.

The former secretary-general of the Singapore Manual & Mercantile Workers' Union (SMMWU), Eric Cheong, recalls the dark times for its members then. He observed: "It is during times like this, for unions, such as the SMMWU, that workers can be badly affected and the leaders would have to make tough decisions to convince their members to accept a wage freeze or even a wage cut to avoid being retrenched. And if they happen to be retrenched, they would have to ensure that they are fairly compensated."

The SMMWU leaders, like those in other unions, he said, had to go around to explain to their members the necessity of the cuts in wages and employer CPF contributions and to get them to accept the pain of a short-term sacrifice for long-term benefits.

It helped that NTUC had also been preparing the unions and their members for the eventuality of a severe downturn.

BITING THE BULLET

It was then Minister for Manpower Lee Boon Yang who had first broached the possibility of a cut in employers' contribution rates to their employees' CPF accounts at a seminar organised by NTUC in July 1998. Around that time, then NTUC Secretary-General Lim Boon Heng suggested that companies could use the flexi-wage system to cut down on business costs by lowering wage increases and reducing bonuses. If these did not work, they could turn to freezing wages or reducing disposable income.

However, to prepare for the worst, then Prime Minister Goh Chok Tong sounded a warning at the National Day Rally that a CPF cut might be necessary to save jobs. NTUC started to prepare the ground for such an eventuality.

Union leaders were briefed on the problems facing the Singapore economy and how to prepare their workers for what lay ahead. It was in October 1998, at the NTUC Ordinary Delegates' Conference, when Mr Goh announced the recommendation of the CSC for an 8 or 10 per cent cut in employers' CPF contribution and called on the unions to "bite the bullet" which resulted in the unions agreeing to a deeper cut. This would take effect in January 1999 and would hold for two years.

HIGHER INCOME EARNERS TO TAKE DEEPER CUTS IN WAGES

NWC made other recommendations in the revised guidelines. These included persuading those in the higher income groups to take deeper cuts. It also suggested making wage cuts from variable components and urged those companies that had yet to implement a flexi-wage system to consider doing so "at the earliest opportunity." It also recommended that the government should take the lead to implement the revised recommendations and urged the private sector to follow.

For those companies with excess manpower, NWC suggested that they should consider adopting temporary measures such as a shorter work-week and temporary lay-offs as an alternative to retrenchment, which it stressed, should be carried out as a "last resort".

However, in the meantime, for those companies that had attained high productivity improvement and higher profitability, NWC urged them to consider rewarding their employees with a "one-off special bonus over and above the variable payment stipulated in the formula agreed between employers and employees".

NWC REVISED GUIDELINES HELP TURN AROUND ECONOMY

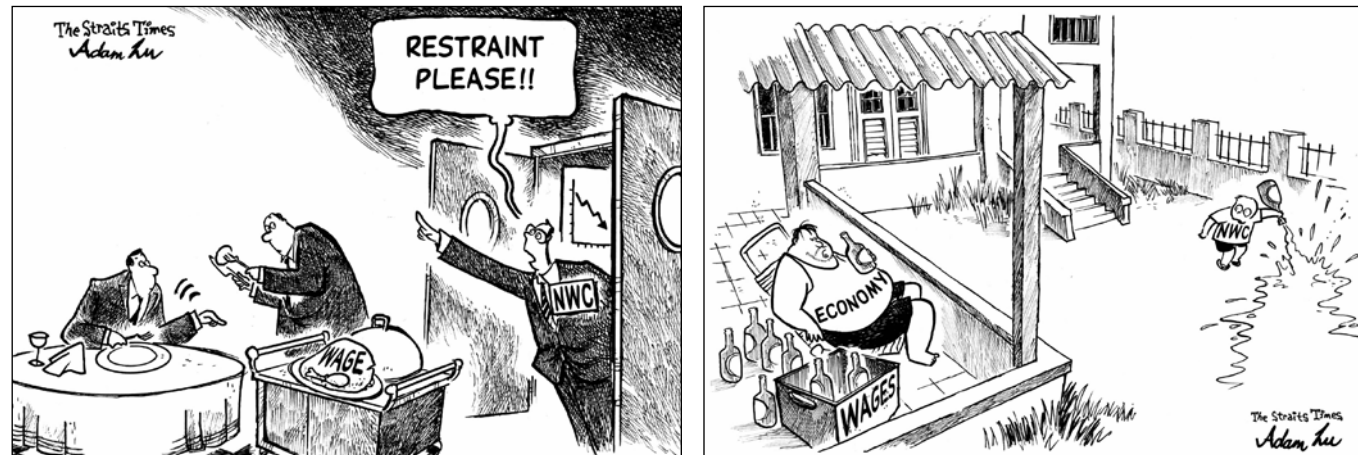
The revised guidelines were to supersede the earlier wage restraint recommendations of May 1998 and would stay in place until 30 June 1999.

Professor Lim Chong Yah described the cost-cutting formula as “draconian”, which in effect, resulted in a final reduction by \$10.5 billion, comprising “a one-third cut in the contribution rate of employers towards their employees’ CPF, another one-third comprising a cut in a worker’s end-of-the-year variable wage component and yet another one-third taking the form of a cut in government fees, taxes and other charges”.

Recalling the circumstances leading to the formula, Professor Lim Chong Yah wrote that he first went to see the Manpower Minister Lee Boon Yang and then quickly called for an emergency meeting of NWC in September. Before this took place “... a subset of the NWC met at Tower Club for an early working breakfast ... and we agreed on this cost-cutting formula to be presented to the main body of the NWC.” The subset comprised then Permanent Secretary of Manpower Dr Tan Chin Nam, Permanent Secretary of MTI Khaw Boon Wan, then NTUC Deputy Secretary-General Lim Swee Say and SNEF President Stephen Lee.

Conceding that it was a “painful wage cut policy”, Professor Lim Chong Yah noted that it could only be carried out thanks to the sacrifices made by the union leaders and workers.

Some cartoons that were published in *The Straits Times* during the 1998 recession to illustrate NWC’s call for wage restraint and wage cuts to reduce business costs and save jobs.



Draconian the cost-cutting measures might have been, but they helped to turn the economy around by 2000.

INTRODUCTION OF THE MONTHLY VARIABLE COMPONENT (MVC)

When NWC met in April 1999 to discuss the guidelines for 1999/2000, ensuring a full-fledged recovery of the economy was high on its agenda. As such, it again recommended that companies should practise wage restraint through either reducing or freezing total wages via the variable components of the flexible wage system.

However, for companies that were doing well, NWC recommended the payment of a mid-year bonus or an annual bonus (including a mid-year bonus) and/or a wage increase for their workers, depending upon how well they had performed.

At the same time, during its deliberations, NWC had realised that while the flexi-wage system, in linking rewards to performance, had been helpful to companies looking for quick ways to cut costs, it was not flexible enough, as evident from the 29,000 jobs that had to go in 1998. So the flexible wage system had to be fine-tuned.

Since wage structures were still not flexible enough to cope with economic shocks, it was suggested that a monthly variable component (MVC) should be incorporated into the flexi-wage system. The idea behind this was to make wages more flexible and responsive to sudden changes in market conditions. The proposal – the suggestion of NTUC’s then secretary-general Lim Boon Heng – was put forward by NTUC at the NWC deliberations.

The lack of flexibility had surfaced during the implementation of the cost-cutting formula in the 1998 crisis. Professor Lim Chong Yah described how the cut in taxes and fees could be done immediately and unilaterally by the government and that the cut in CPF employers’ contribution rate could also be implemented quickly but not the year-end variable component.



Then chairman of NWC, Professor Lim Chong Yah, announcing the NWC guidelines in 1999, which included the MVC for the first time.

He noted: “For the private sector, you have to wait till the end of the year when the year-end bonuses would be trimmed.”

MVC MAKES FOR A TRULY FLEXIBLE WAGE SYSTEM

Being part of the monthly salary, the MVC could be cut promptly in the event of a sudden business downturn, thus enabling businesses to cut wage costs swiftly in order to survive and save jobs.

The MVC would be built up through future wage increases and the amount to be put aside for this would be decided upon by both employers and the unions. The prevailing flexible wage structure was then 80:20 comprising basic wage and annual variable components. It was hoped that the MVC would progressively comprise 10 per cent of total wages and that over time, the wage structure of 80:20 would develop into a configuration of 70:10:20 representing basic wage, monthly variable and annual variable components respectively. With the MVC, there would be less need in times of crisis to resort to cutting CPF contributions for employees as these were needed to pay for house mortgages as well as for medical and retirement needs.

As NTUC put it to its members when describing the benefits of having the MVC: “A CPF cut hurts workers more than an MVC cut. This is because an MVC cut is restored as soon as an individual company becomes profitable, whereas a CPF cut can only be restored when most companies are profitable.”

NTUC’s proposal was accepted by NWC and the MVC became part of its 1999/2000 guidelines announced in May. A tripartite committee headed by SNEF was established to work out details of implementing the MVC, which



(From left to right) SNEF President Stephen Lee, then Deputy Prime Minister Lee Hsien Loong, and then Minister without Portfolio and NTUC Secretary-General Lim Boon Heng arriving at the Inaugural National Manpower Summit in October 1999, which was organised to discuss the implementation of NWC guidelines.

its president Mr Lee acknowledged would be beneficial for both employers and employees alike.

To prod companies to adopt the MVC, MOM organised an inaugural National Manpower Summit in October 1999 which drew 700 employer delegates. Launching the summit, then Deputy Prime Minister Lee Hsien Loong spoke of the need to incorporate MVC into the wage system. He said: “We should begin to build up the MVC once companies start paying wage increases. This is the right time to do so. The flexible wage system has just undergone its first major test and its effectiveness and limitations are still fresh in people’s minds. Also the economy is doing well and wages are rising. In the same way we built up the annual variable bonuses after the 1985 recession, it will take several years to build up a significant MVC of say 10 per cent. If we do not start now, we will miss a rare opportunity to do so.’

GEARING FOR THE NEW ECONOMY

After the effects of the Asian Financial Crisis had blown over, the Singapore economy was back on its feet again, registering a growth rate of 9 per cent in 2000, up from 6.2 per cent in 1999.

The prospects looked so promising that the government decided it could consider restoring part of the CPF rate cut in 2000 instead of 2001, as originally planned. In April 2000, 2 percentage points were restored, nine months ahead of schedule.

The new millennium marked the start of Singapore’s transformation into a knowledge-based economy.

In its 2000/2001 guidelines, NWC urged the tripartite partners to work closely together to enhance workers’ capacity to make the transition. It suggested the development and implementation of “an innovative and responsive compensation system that could better encourage and motivate



ABOVE LEFT:
In 2001, retrenched staff from disk drive company Maxtor Corp attended a job fair at The Grassroots Club (Ang Mo Kio), organised jointly by the United Workers of Electronics and Electrical Industries and Maxtor Corporation for the 700 workers who were axed. Twelve companies, ranging from car parts maker Delphi Automotive Systems to service industries such as MacDonalds Restaurant, set up booths there to recruit workers.

ABOVE RIGHT:
A cartoon featured in *The Straits Times* on 7 July 2001 illustrating a job fair organised by Maxtor Corporation, MOM and The Grassroots Club for the 700 staff retrenched by Maxtor Corporation.

employees to make greater contributions, and reward them for higher value creation".

Acknowledging that technological innovations might mean the disappearance of existing jobs and the creation of new job opportunities, it urged the social partners to help workers adapt to the New Economy through training and retraining.

With a strong economic outlook, NWC recommended a speedier restoration of the CPF cut. In January 2001, another 4 percentage points of the CPF was restored.

But as the year progressed, Singapore's economic plans were thrown into disarray when the American economy went into recession, made worse by the September 11 terrorist attacks in New York in 2001. The events touched off a global slump that affected Singapore, which has always been so dependent on international trade.

With a sharp downturn in external demand, the economy went into recession and workers were starting to lose their jobs again. In the third quarter of 2001 alone, 8,200 workers were retrenched.

The government quickly came up with a new Off-Budget rescue package of \$11.3 billion in October 2001. This took the form of corporate, property and personal income tax rebates, assistance to local enterprises, employment assistance for workers and executives and aid for the lower income and the unemployed.

NWC RECONVENES IN 2001

NWC had to reconvene once more, in December 2001, to re-examine its earlier guidelines issued in May 2001. It recommended severe wage restraint to be adopted until 31 December 2002.

Noting the spate of retrenchments, the NWC called on companies to retrench only as a last resort and consider other cost-saving alternatives. It urged them to tap into the many training schemes and incentives the government had put in place to help their workers upgrade their capabilities and improve their employability so that they would be better positioned to ride the economic recovery. Older workers were encouraged to go for re-training courses.

For companies adversely affected by the economic slump, NWC recommended consulting the unions and workers on adopting a wage freeze or wage cut "commensurate with their performance and prospects". Where a wage freeze or wage cut was inevitable, NWC urged management to take the lead.

However, for companies that continued to perform well, the Council reminded them to reward their workers with appropriate wage increases.

NWC also urged the government to continue keeping down the other costs of doing business as well as moderating the cost of living for workers.

USHERING IN 2003 ON AN UNCERTAIN NOTE

NWC convened at the end of 2002 after the release of the 3rd quarter 2002 GDP figures to deliberate on the guidelines for 2003.

By then, the global economy and that of Singapore had improved. There was a growth of 2 per cent in the first nine months of 2002 after a decline of 2 per cent in 2001. Retrenchments had declined to 13,000 in the first three quarters of the year, down from 17,247 for the same period in 2001.

However, the Council noted, the business outlook was still uncertain and so it recommended that the revised guidelines of December 2001 be extended for another six months covering the period from 1 January to 30 June 2003.

THE ONSET OF SARS

During the six-month period when these NWC guidelines were in place, nobody could have envisaged the next crisis to hit the Singapore economy – SARS (severe acute respiratory syndrome).

What set the 2003 crisis apart from the earlier ones was the fact that it was triggered by a medical phenomenon and an unknown one at that, making it tougher to handle.

The virulent disease appeared in Singapore when three Singaporean women returned home from Hong Kong, where they were infected after a chance encounter with an infected doctor from China in a lift lobby in a Hong Kong Hotel in late February.

The spread of the virus, the result of close person-to-person contact, was swift. By 30 March 2003, Singapore had recorded 91 cases and three deaths. Other countries affected were mostly in Asia – Hong Kong, Taiwan and China – although Toronto in Canada was also on the SARS-hit list, when SARS-infected travellers from these countries returned home.



During the SARS crisis in 2003, temporary tents were erected in the parking lot of Tan Tock Seng's Accident and Emergency ward to cope with the increasing numbers of suspected SARS cases.

The situation prompted the Atlanta-based Communicable Disease Center (CDC) to issue travel advisories warning travellers to avoid visiting countries on the SARS-hit list.

Singapore, which had recorded tourism receipts of \$7.8 billion in 2002, comprising 5 per cent of Singapore's GDP, was badly hit as travellers stayed away. SARS took a heavy toll on tourism and transport-related businesses including hotels, restaurants, airlines, cruises, taxis, travel services and the retail sector.

In April, there was a 67 per cent drop in tourist arrivals to Singapore. Hotel occupancy rates, which had averaged 70 per cent, dropped to as low as 10 per cent. Shops and restaurants were also affected as business dwindled. Retail sales fell by as much as 50 per cent, wiping out small businesses. Travel agencies suffered a drop of 70 per cent in inbound business while outbound business declined by 80 per cent.

As passenger movement declined at Changi Airport, with around 2,300 fewer flights handled in April 2003, 34 airlines serving Asian routes



ABOVE LEFT:
Hospital staff in Tan Tock Seng
Hospital, which treated all SARS
patients.

ABOVE RIGHT:
Some airlines at Changi Airport
started tighter screening for
passengers who might have SARS.

announced temporary cutbacks in their services by as much as 50 per cent. Singapore Airlines had to trim its total capacity by 29 per cent in April and May.

Affected greatly by SARS were members of the Food, Drinks and Allied Workers' Union (FDAWU), many of whom were employed in the hotel and restaurant industry. Its president Abdul Subhan Shamsul Hussein described it as the toughest crisis that the union had to handle.

Working then as an assistant chief engineer at the Royal Plaza on Scotts Hotel, Mr Subhan recalled: "I had worked in the hotel industry for 18 years then and never had I seen a situation that bad. It was a scary feeling."

At that time, several hotels wanted to introduce industry-wide pay cuts to reduce costs. But the FDAWU proposed a shorter work-week and enforced leave, which would lighten the impact on workers.

Employers agreed with the union and most hotel staff ended up taking no-pay leave or working two days a week, which was eight days a month for the next three months – May, June and July. This resulted in very few lay-offs; by August, after the SARS crisis had blown over and tourism started to pick up again, hotel staff were able to get back to their normal work schedules.

Other employees in the travel sector, such as the airlines, were also encouraged to adopt shorter work-weeks, clear their annual leave and take no-pay leave as cost-cutting measures.

SNEF also responded to the needs of employers by organising frequent briefings and seminars to disseminate and discuss standard operating procedures and business continuity plans.

To prevent the spread of the disease, the government introduced a slew of measures. Employees suspected of contracting the illness would have to be quarantined at home. If companies had a substantial number of employees from the same workplace under home quarantine, serious disruptions would occur. Contingency plans were put in place to minimise interruptions. This resulted in split teams operating in multiple locations; if staff at one location was affected and quarantined, staff at another location could carry on with work.

The tripartite guidelines on leave of absence relating to SARS were also released to provide a common ground of understanding between management and unions in handling employees who were issued home quarantine orders.

To help save businesses, especially those in the tourism industry, and to help save jobs, the government set up a SARS Relief Package of \$230 million on 17 April. Property rebates were granted for commercial properties, with higher rebates given for hotels. Landing fees at Changi Airport and Seletar Airport were reduced by 30 per cent, port dues for cruise ships were halved, and a bridging loan programme for tourism-related SMEs (small and medium-size business enterprises) was made available. Diesel tax rebates were also given to taxi drivers.

In a bid to get SARS-hit businesses to remain viable and save jobs, NWC called for the implementation of appropriate wage cuts. Management and executives were urged to take the lead and accept earlier or deeper wage cuts to help stabilise the situation.

NWC'S SWIFT DECISIONS HELPED STAVE OFF A DIRE SITUATION

Professor Lim Pin spoke of “the sense of desperation” felt by members of NWC at the time of the SARS episode. He recalls one particular meeting when a Council member was on the verge of tears as he recounted how the crisis had affected his own company. Professor Lim Pin said: “He was in the service industry and he had told the other NWC members that if the crisis was to go on for another month, he would be forced to close down his company. His very sad story, which moved the other Council members, served to heighten the plight faced by other companies.

“The NWC worked quickly to try to help companies like his to remain viable and not to retrench or close shop. The unions agreed to a lot of sacrifices that would impact on their workers, such as wage cuts and a shorter working week. Underworked employees were sent for training to acquire new skills so that when everything returned to normal, they would be raring to go. True enough, when the crisis blew over, we had an upturn in the economy.”

When asked about the fate of the Council member’s company, he chuckled: “He managed to survive and his company prospered.”

Using this experience as an example, Professor Lim Pin revealed that in order to save jobs, it was necessary for the NWC to recommend wage cuts by companies which were affected directly by the SARS fallout.

Announcing this at a press conference on 21 May 2003, Professor Lim Pin had said: “This is a very drastic recommendation. It’s unprecedented in my term as chairman, we have never recommended wage cuts before,” adding that NWC would be leaving the level of the wage cuts to the affected companies. “These recommendations are necessary not only for the survival of companies but also to save jobs,” he had stressed. The wage reductions were to be implemented between July 2003 and June 2004.

Other measures were also put forward by NWC. For instance, to encourage more companies to implement the monthly variable component (MVC), NWC

recommended that both employers and employees set aside 2 per cent or more of their basic wage to build up the MVC. This was a departure from its earlier stand when it recommended the MVC to be built up from wage increments.

For companies not directly affected by SARS, a wage freeze was also recommended because of the uncertain business climate while for companies still doing well, NWC recommended that they reward their employees with appropriate variable payments and bonuses.

NWC also suggested to companies to restructure their wages. Companies were encouraged to move from fixed and seniority-based pay elements to more productivity-based and profit-sharing bonuses.

To give wage restructuring a further push, a Tripartite Taskforce on Wage Restructuring was formed in 2003. Sectoral workgroups were set up, co-chaired by representatives from employer groups and the unions to look into the ways and means of putting in place the key recommendations for their respective industries. This included tying the variable bonus to key performance indicators (KPI), incorporating the MVC into the wage structure, plus narrowing the maximum-minimum salary ratio for most jobs to an average of 1.5 or less.

To get it moving along, a reStructuring Wage AcTion (SWAT) tripartite team was formed to help 60 to 70 companies to lead the “first wave” in wage restructuring. As a result more employees in the private sector were covered by some form of flexible wage system – up from 76 per cent in 2004 to 84 per cent in 2008.

Singapore was taken off the SARS list by the World Health Organisation on 31 May 2003. But the crisis had already resulted in the retrenchment of 5,100 workers in the second quarter of 2003.

On the bright side, however, Professor Lim Pin noted that the SARS incidence, like the other crises that surfaced, served to get people to work together and strengthened the nexus of tripartism.

WAGE RESTRUCTURING MUST CONTINUE, URGES NWC

With the recovery of the economy post-SARS, NWC, in its 2004/2005 guidelines, took the opportunity to push companies to continue their wage restructuring efforts.

It said: “The current recovery offers a timely opportunity for companies to make their wage system more flexible and competitive. Experience from the recent economic downturn has highlighted the importance and urgency for companies to adopt a flexible and performance-based wage system ...”

While urging companies that had already embarked or were embarking on wage restructuring to continue to do so, NWC also encouraged companies that had not done so to implement wage structuring using the recommendations of the Tripartite Taskforce on Wage Restructuring as a guide.

NWC singled out three key areas in which companies should focus on their wage restructuring – expediting the building up of the MVC; adopting a flexible and performance-based system to reward employees based on the value of their jobs rather than seniority in service; and drawing up “clear and robust key performance indicators (KPIs) to link reward to company and individual performance.”

ECONOMIC CRISIS OF 2008/2009

If the SARS crisis was a nightmarish period for the tripartite partners, the 2008/2009 recession proved to be even worse.

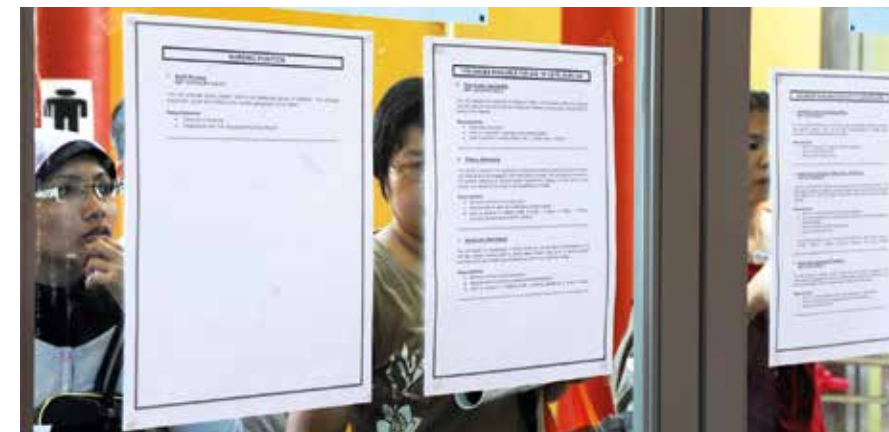
It had its origins in the US housing sub-prime crisis which triggered off a global financial disaster. Singapore's economy, ever so vulnerable to the

international winds of change, went into a nosedive, slowing down sharply from 7.8 per cent in 2007 to only 1.1 per cent in 2008.

NWC had already taken note of the “deterioration of the global economic outlook for 2008” when it started deliberations on its guidelines for 2008/2009. With this in mind, it emphasised the need to improve productivity through innovation, job re-design and the stepping up of the training of workers to upgrade their skills and enhance their earning capacity.

For its wage guidelines, it recommended that “companies grant built-in wage increases commensurate with the companies’ performance and business prospects” as well as make “greater use of variable payment to reward workers for their contribution to corporate performance”. Companies doing exceptionally well were urged to consider granting workers a higher variable payment.

As the outlook of the economy and inflation remained uncertain, NWC urged the government, employers and unions to monitor closely the situation and the impact on companies and workers.



In 2008, the NorthEast CDC and Singapore General Hospital jointly organised a healthcare industry job fair for retrenched workers.

Worried about whether workers could cope with the impact of higher inflation, NWC also recommended that companies should consider giving a one-off special lump sum payment for rank-and-file workers.

CRISIS DEEPENS

In the meantime, the crisis deepened, engulfing all sectors of the economy from the export-oriented manufacturing sector, comprising one-quarter of Singapore's GDP, to tourism.

The manufacturing sector was the worst affected as it suffered a sudden cancellation of business orders and contracts. The result was excess capacity and excess manpower.

SNEF President Stephen Lee remarked: "Unlike the 1985 crisis, which was the result of our pricing ourselves out of the market and losing our competitiveness, the one in 2008 was caused by a drop in demand for manufactured goods, especially from the electronics industry. Our pricing was fine. Other countries also found themselves in the same position."

Mr Lee remembered it as a "scary" time for employers, the unions and the government as they were all fearful of a "massive dislocation of jobs".

To prevent such a scenario from taking place, the tripartite partners, represented by SNEF, MOM and NTUC, responded swiftly, releasing the Tripartite Guidelines on Managing Excess Manpower (MEM) in November 2008. The guidelines centred on how jobs could be retained and spelling out for employers the ways in which they could manage excess manpower while urging them to consider retrenching workers only as a last resort.

The guidelines were aimed at helping companies to ride the economic downturn and prepare them for a rebound.

Among the recommendations made were adopting a shorter work-week or flexible work arrangements, sending workers for training, redeploying



them to alternative areas of work, temporary lay-offs and managing wage costs by using the flexible wage system.

HOW THE MEM CAME ABOUT

The MEM guidelines were actually cobbled together by a group of NWC members who had worked behind the scenes.

Just as a subset of NWC had worked to come up with a solution to help solve the 1998 crisis, so too did another subset, 10 years later.

Recalling the anecdote, senior director, Labour Relations and Workplaces Division at MOM, Ong Yen Her who led the tripartite workgroup to formulate the guidelines said: "The 2008 crisis was a trying time for the tripartite partners.

"There was the NTUC Secretary-General Lim Swee Say calling on companies not to cut jobs to save costs but to cut costs to save jobs.

(Left to right) Labour chief Lim Swee Say, then NTUC President John De Payva, then Acting Minister for Manpower Gan Kim Yong and SNEF President Stephen Lee at The Singapore Tripartism Forum held on 4 December 2008. The one-hour dialogue focused on ways to handle worker issues in the current economic downturn, from wages to dealing with excess manpower.



“How were we to do that?”

“On the one hand, we had the unions objecting to include no-pay leave as a cost-saving measure while SNEF wanted it as part of the overall measures to cut costs to save jobs. Our ministry was with the employers on this, yet we also understood the unions’ concern that these measures could adversely affect the income of workers.

“What happened then was that a small team from the tripartite partners got together to discuss the issues and come up with solutions. There were about a half-dozen of us – from MOM, SNEF and NTUC – and we met in the office of the SPWU (Singapore Port Workers’ Union) in Tanjong Pagar that had kindly lent us its office for discussion.

“We spent the whole morning hammering out the key areas of agreement of the guidelines. This carried on even over lunch at a *bak kut teh* stall in a kopitiam located below the SPWU office.

“We knew we had to very quickly work out something acceptable to the unions and employers otherwise there would be no meeting of minds.

“In our discussions, we debated on whether it was going to be an L-shaped, V-shaped, U-shaped or W-shaped recession and what could be the possible scenarios.



ABOVE LEFT:
Panel discussion on managing excess manpower during the economic downturn.

ABOVE RIGHT:
Presentation on Tripartite Guidelines on Managing Excess Manpower.

“We finally came up with a set of guidelines on how companies, together with their unions and workers, could manage excessive manpower. This tripartite initiative, which was submitted to the NWC as part of the cost cutting measures, turned out to be a very effective approach as we bounced back very quickly from the recession, which surprised us by being a very sharp V-shape. That solution that had been hammered out at the breakfast gathering was an example of how strong tripartism had become that the unions, employers and government were able to agree on an acceptable solution so quickly. It augured well the true spirit of tripartism for the three social partners.”

LAUNCH OF SPUR

A month later, in December 2008, another tripartite initiative was rolled out – the Skills Programme for Upgrading and Resilience (SPUR) – which companies could tap into and send their workers for skills upgrading.

Developed by the Singapore Workforce Development Agency (WDA), in consultation with SNEF, NTUC and MOM, the programme, costing \$650 million, would allow employers to send their workers for training to upgrade themselves with minimal footing of the bill, over a two-year period.

Funding would be provided by SPUR in the form of a 90 per cent subsidy of the training course fee. What’s more, companies would also be given up to 90 per cent absentee payroll subsidy to compensate for their workers’ absence from work during the period of training.

Training under SPUR would cover all businesses and all levels of employment, from rank-and-file workers to professionals, managers, executives and technicians (PMETs) who could apply through the Professional Skills Programme (PSP). Even the retrenched could qualify.

Companies were thus encouraged to take advantage of the slack period in their operations by sending their workers for training while retaining them.

The ups and downs of Singapore's electronics industry

The electronics sector is one of Singapore's pioneering industries, dating back to the 1960s. The aim then was to attract investments in labour-intensive industries to create jobs. It sparked off the setting up of many foreign-owned assembly plants producing low-end consumer electronics such as transistors. Later, with rising wages in Singapore and lower costs of labour in the region, there was a shift in strategy. The goal changed to attracting more capital-intensive higher value-added industries such as the production of semi-conductors and disk drives, research and development (R&D) and product innovation.

Since then, the electronics sector has grown to include over 100 electronics manufacturers and 300 product developers, many of whom are leaders in semiconductor and disk-drive production. Over 90,000 people, ranging from production operators to technicians and R&D specialists, work in the industry.

Today, the electronics industry is one of Singapore's biggest economic sectors, contributing to more than 30 per cent of manufacturing value-added and 19 per cent of total manufacturing jobs.

More than 59,000 workers in over 120 companies in this sector is represented by the United Workers of Electronic and Electric Industries (UWEEI), which is one of Singapore's largest trade unions.

The electronics sector may create jobs but it is also highly

vulnerable to cyclical demands and global developments. Its workers face the challenge of remaining employed in their current jobs and to be employable in the long run. With rapid technological changes and shortening product cycles, workers have to be nimble to keep pace through continual skills upgrading – a daunting prospect for older and less skilled employees.

So it comes as no surprise that the electronics industry has been affected by every economic recession since 1985. But the worst ever recession it had to endure was undoubtedly the 2008/2009 global downturn. With a 43 per cent contraction in output in January 2009 compared to a year before, many electronics companies were forced to downsize and trim their operations. From October 2008 to December 2009, 8,220 workers in the industry lost their jobs and over 26,000 workers were affected by shorter work weeks and temporary shutdowns.

One of the affected companies was Murata Electronics Singapore (Pte) Ltd, a shining star in the electronics industry. The 2009 crisis, the worst it ever had to face, forced it to do something it had never done in its 36 years in Singapore – retrench. But with help from UWEEI and Murata's determination to find a solution to the crisis, the company managed to survive the downturn, heeding the call of NWC to "cut costs to save jobs, not cut jobs to save costs" and tapping on several tripartite schemes for assistance.



ABOVE LEFT:
In 2003, Liza Atan, one of the pioneer batch of 16 students from Murata, underwent the ITE Fastrack Programme, under its ReNew initiative.



ABOVE RIGHT:
In 2008, workers from Murata Electronics became the first company to take advantage of a new government-sponsored programme aimed at saving jobs. Under the Skills Programme for Upgrading and Resilience (SPUR) programme, the government paid for part of the workers' wages while they were on training, a move to encourage employers to send their workers for retraining, rather than retrench them.



In 2005, NTUC and Maxtor Corporation organised a two-day Stay Working Camp for Maxtor Corporation's retrenched workers. It was held at Bukit Merah Skills Development Centre.

With this scheme, employers would be able to manage excess manpower as well as save jobs while at the same time developing their employees' skills for the long term. In addition, it would strengthen their capabilities to prepare for the economic upturn and make them more competitive.

Under SPUR, workers could choose from over 1,000 courses ranging from healthcare, education and security to social services and tourism, available at more than a hundred approved training providers.

The programme proved to be so successful that from December 2008 to November 2009, 264,000 workers had undergone SPUR training, with 169,000 completing it. By February 2010, 212,000 employees, including 145,000 sent by 3,800 employers, had received training under SPUR. More than two-thirds of those in the SPUR scheme were rank-and-file workers while the rest were PMETs.

NTUC President Emeritus John De Payva elaborated: "For the labour movement, it was a critical time. We said it was not a time to cut jobs to save costs but to cut costs to save jobs. The whole idea behind sending people for training during the lull period was that once it was over, they would be ready to get back to work better qualified and better skilled than before."

Union leaders, still fresh with memories of the severe effects on its members during the time of SARS, fully supported the call for workers to attend training and to go for skills upgrading.

As for employers, Mr Lee admitted that it was not easy convincing them to keep jobs and hold on to excess manpower. But it was a matter of ensuring business continuity, he said. "We wanted employers to make use of the lull period to increase their workforce capabilities and prepare for economic recovery."



In 2008, Emelda Wong (seated, left) and Hamidah Ali (seated, right) were among the staff members of Murata Electronics Singapore Pte Ltd who were sent for courses and workshops to upgrade themselves under the Skills Programme for Upgrading and Resilience (SPUR) initiative. Also pictured are UWEEI chief, Cyrille Tan, then General Secretary of UWEEI (standing, right), and Member of Parliament Halimah Yacob (standing, left).

To help companies, SNEF held briefings for over 1,500 companies to explain the MEM guidelines and to share about the various schemes available to assist them in implementation.

In line with the guidelines, the unions worked closely with employers to implement some of the recommended cost-cutting measures. From January to March 2009, for instance, 68 unionised companies and 23,914 workers underwent shorter work weeks and temporary lay-offs.

Still, despite the schemes, it was inevitable that there would be some redundancies. In the first quarter of 2009, 12,760 redundancies were recorded compared to 3,180 in the third quarter of 2008. A total of 20,000 workers were retrenched in 2009, though this was lower than the projected figure of 70,000 to 99,000 and far below the record number of 29,000 that had been retrenched in the 1998 recession.

Employment growth also went down to 21,300 in the fourth quarter of 2008 from 55,700 in the third quarter.

THE NWC RECONVENES

As the problem of low demand and overcapacity continued for companies, it was inevitable that NWC had to be reconvened again to deal with the deepening business downturn in December 2008. As its chairman, Professor Lim Pin, explained, "Given the weakening economic situation, there is a need for the NWC to take stock of the new situation and review its May Guidelines to help companies and workers manage the downturn." On 16 January 2009, a new set of guidelines was released.

Broadly, NWC called on companies to cut costs to save jobs. It recommended a wage freeze and a wage cut to enable businesses to stay competitive. However, for companies less affected by the downturn or were still doing well, the Council recommended that they reward their workers with moderate wage increases.



ASEAN Seminar on Tripartism & Social Dialogue: Measures to Manage the Economic Downturn.

Because of the uncertain outlook in the short term, it recommended that such increases should be in the form of variable payment so as not to affect their long-term cost competitiveness.

Giving its endorsement to MEM and SPUR, NWC urged companies to adopt MEM while tapping on SPUR to help them cope with the downturn and position themselves to ride the economic recovery.

It also urged workers to take advantage of SPUR to upgrade their skills and enhance their employability.

The revised guidelines would be valid until June 2009. NWC would then meet in April to determine the 2009/2010 guidelines.

GATHERING FEEDBACK

To gather feedback on how companies were coping with the economic slowdown and to update them on manpower-related issues, the tripartite partners decided to form a new taskforce in April 2009 of 12 Tripartite Upturn Strategies (TRUST) Teams announced by then Minister for Manpower Gan Kim Yong.

The purpose of the teams was to visit companies individually to create awareness on the full range of measures available on the retention of jobs as well as to provide advice and guidance on how measures specific to each company and industry could be implemented. The TRUST teams were also tasked with explaining to the companies on how the MEM guidelines could be enforced. All companies, whether unionised or non-unionised, and small and medium-size enterprises (SMEs) were targeted.

Over 600 companies were assisted by the TRUST teams.

JOBS CREDIT SCHEME INTRODUCED

As a further boost to the measures rolled out to help companies cope with the downturn, the government introduced a Jobs Credit Scheme as part of the Singapore Budget on 22 January 2009.

This was to help private sector employers with their wage bills since they would be able to receive a 12 per cent cash grant on the first \$2,500 of each local employee's monthly salary in four quarterly payments. Valid for a year, this was later extended for another six months.

Under the scheme, some \$920 million was given out for each quarter to 100,000 companies with a total workforce of 1.4 million. As many as 40,000 jobs were estimated to have been saved in 2009.

Calling the scheme a "strategic move", NTUC Secretary-General Lim Swee Say said it helped to "cut costs to save jobs, not cut jobs to save

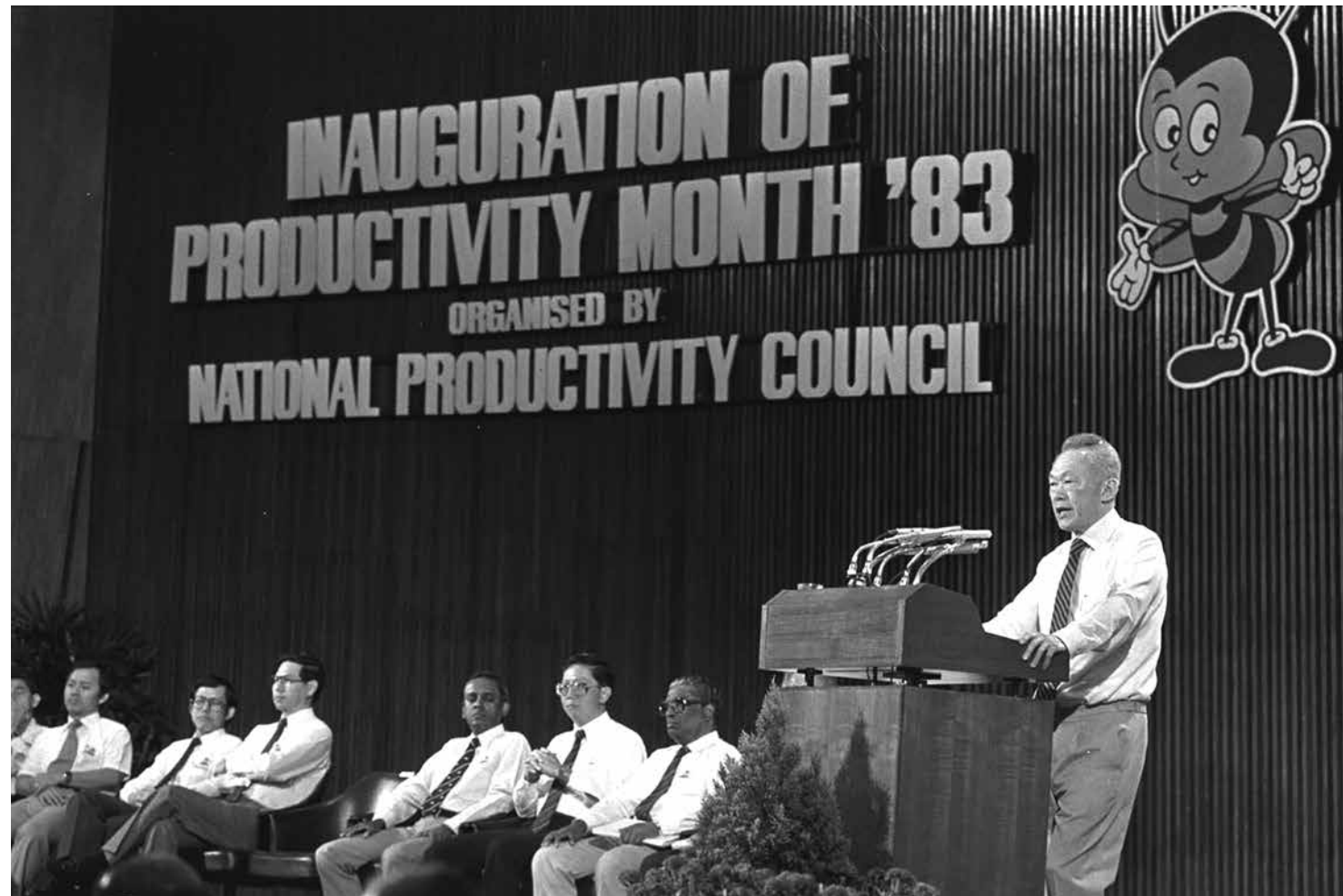
costs. For us, the top priority must be one of guarding against massive retrenchments and preventing a rapid rise in unemployment.”

For SNEF, the scheme helped to preserve jobs and enabled companies to stay afloat while giving them a chance to re-focus and prepare for the rebound.

Indeed, SNEF President Stephen Lee revealed that the effects of the recession were less severe than he had feared. He said: “It helped that the NWC was very responsive and that the timings were very quick with the various tripartite schemes rolled out and with the full support of the government as the schemes were quite costly.”

By December 2009, the worst of the recession was over. And the turnaround was totally unexpected. The economy, which had declined sharply by 9.4 per cent in the first quarter of 2009 following the recession, rebounded very strongly in the second half of the year continuing into 2010 when it grew by an astonishing 14.8 per cent.

Mr Lee observed: “The manufacturing sector rebounded by over 20 per cent and companies were ready for this because of the Jobs Credit Scheme and SPUR which enabled them to save costs and yet retain their manufacturing capability without any damage. Companies operated on shorter work weeks and some also sent workers for training to upgrade their skills. But what mattered most was that since many of the workers were retained, rather than retrenched, when the orders came back, the companies were in a good position to go back to business.”



Then Prime Minister Lee Kuan Yew spoke at the inauguration of productivity month held at the Singapore Conference Hall in 1983. Organised by the National Productivity Council, Mr Lee urged managers to build on the increased awareness among workers of the advantages of higher productivity.

CHAPTER 10

NWC issues over the years

PRODUCTIVITY AND PRODUCTIVITY GAIN-SHARING

In 2010, when Singapore had fully rebounded from the 2009 recession with an exceptional 14.8 per cent economic growth, NWC made productivity its key theme when it issued its guidelines for 2011/2012.

It urged companies to give out higher total wage increases in line with the strong recovery while ensuring that productivity was raised to enable wage growth to be sustained.

Announcing the guidelines at a press conference on 29 April 2011, NWC Chairman Professor Lim Pin underscored the importance of productivity growth in supporting wage growth in the long term. He said: "The main driver should be management and they should involve unions and workers and other partners in the process of strengthening productivity through various ways.

"One important aspect is to be able to link more clearly productivity gain and performance bonus.

"In this way, the workers will really get a sense of ownership."

Professor Lim Pin was reiterating the message of NWC in the previous year, when productivity was the focus of attention in the 2010/2011 guidelines. This was just after the economy was starting to show signs of recovery after the downturn in 2009 when employees had accepted wage freeze and cuts as well as other cost cutting measures to help reduce costs and save jobs.

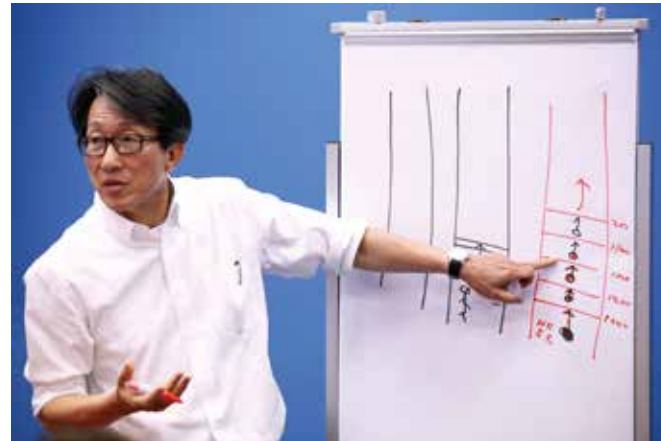
Noting that it was timely to reward employees, NWC recommended that companies doing well should increase their workers' pay. Future pay increments should also be made according to the companies' performance and prospects, it said.

NWC also encouraged companies to give out productivity incentives and bonuses as a way of including the employees in their productivity gains sharing while urging management to look at adopting practices promoting productivity so as to reduce the dependence on low-skilled foreign workers.

It noted: "Higher productivity would enhance our competitiveness and translate into sustainable increases in wages in the long run" and called on the tripartite partners to work closely together to raise productivity.

Stressing that "management must drive productivity measures", it also urged companies to look at ways and means of enhancing productivity in their companies. Companies, it said, should "reduce their reliance on low-skilled foreign manpower and take advantage of the various government initiatives, such as the Productivity and Innovation Credit and the National Productivity Fund, to raise productivity."

Encouraging employers to engage unions/employees and enlist their support to implement productivity measures, NWC suggested that companies share productivity gains with employees, which could be in



In 2012, Lim Swee Say, the labour chief, explained the concept of progressive wage increment with the help of a drawing during NTUC's Learning Journey, a sharing session to encourage stakeholders of the cleaning industry to increase productivity and wages of cleaners by leveraging on available schemes.



(From left) Ong Yen Her, senior director, Labour Relations & Workplaces Division, Ministry of Manpower; Cham Hui Fong, assistant secretary-general, NTUC; S Thiagarajan, director, Ong Teng Cheong Labour Leadership Institute; and Bob Tan, vice president, SNEF, at the Tripartite IR Seminar on "Building a More Inclusive Workforce in a CBF Economy" held on 16 November 2009.

the form of productivity incentives or bonuses, to give them a stake in the productivity improvement process.

“Companies are also encouraged to formulate appropriate, consistent and transparent key performance indicators (KPIs), in consultation with unions/employees, that take into consideration employees’ contributions to productivity gains and to reward employees accordingly.”

The emphasis on productivity is not new. Indeed, in 1979, NWC had embarked on a “wage correction policy” which saw three years of high-wage recommendations in a bid to replace labour-intensive industries with capital-intensive ones so as to reduce the reliance on labour and to raise productivity.

In 1981, when local workers were deemed to lack the “right attitudes” towards productivity and were considered less productive than workers in Japan, for instance, a National Productivity Movement was launched in a



Then Senior Minister Lee Kuan Yew and Lim Boon Heng, then NTUC secretary-general, applauded the 21 winners of the National Productivity Award in 1999 as they come on stage to receive their awards from Mr Lee.

tripartite effort headed by the National Productivity Board, formed in the same year.

The goal of the movement was to get workers, employers and the government committed to the concept of productivity and to get them to engage in activities aimed at improving productivity.

Awareness was created, in the early years of the productivity movement, by means of nation-wide campaigns and seminars and the setting up of quality control circles at the company level. From 1986 to 1988, efforts were made to translate the awareness into “action” by launching various programmes aimed at increasing productivity at the workplace.

The efforts paid off and from 1981 to 1991, Singapore recorded an annual growth rate in productivity of 4.2 per cent, accounting for 62 per cent of economic growth. Thanks to improved productivity, a higher GDP was generated, allowing workers to earn higher wages. Real wages went up at a rate of 5.9 per cent from 1981 to 1991, which brought about a higher standard of living, enabling Singapore workers to enjoy a better quality of life.

For the next 10 years, from 1991 to 2000, the productivity growth rate notched 3.3 per cent before slowing down to 1.8 per cent between 2000 and 2010.

Faced with this slowdown, especially in major sectors such as manufacturing, services and construction where the productivity of Singapore workers was considered lower than that of other developed countries, the government launched a renewed push in 2010 to ramp up productivity for the next decade.

Its target: A productivity growth rate of 2 per cent to 3 per cent per annum. Providing funds of \$5.5 billion over the next five years, the government’s aim was to increase the level of skills, expertise and innovative capabilities of workers and businesses through various initiatives. These include building a comprehensive Continuing Education and Training (CET) system and



ABOVE LEFT:
Gary Goh, deputy CEO of e2i (Employment and Employability Institute), giving a presentation at the STF seminar on how to better manage the business downturn.

ABOVE RIGHT:
Sukhdev Kaur (in dark top) is the coordinator and lecturer for the Perioperative Nursing course at Ngee Ann Polytechnic's Continuing Education and Training (CET) Academy.

helping low-skilled, low-wage workers upgrade their skills and employability under a new Workfare Training Scheme (WTS). To encourage more enterprise investments in innovation and productivity, a \$2-billion National Productivity Fund was available for government agencies to tap into to pay for infrastructure and assistance schemes supporting productivity. To support their efforts, firms could also apply for a tax credit under a new Productivity & Innovation Credit scheme.

To drive the national campaign towards higher productivity, a new National Productivity and Continuing Education Council was formed.

LENDING A HELPING HAND TO LOW-WAGE WORKERS

In 2011, the Singapore economy grew 4.9 per cent following an impressive 14.8 per cent in 2010.

With growth in employment reaching 122,600, up from 115,900 in 2010, the unemployment rate fell to its lowest in 14 years at 2 per cent. GDP continued to grow and inflation was around 5.2 per cent.

Against such a backdrop, NWC met in April 2012 to consider its guidelines for 2012/2013.

On 14 March 2012, before NWC began its negotiation, an informal discussion had already started among several tripartite representatives (NTUC, SNEF, MOM) at a breakfast gathering. A senior NTUC director, Ong Chin Ang, commented that NWC must be bold in coming out with recommendations to help low-wage workers cope with the high cost of living. He suggested that the 2012 NWC guidelines could recommend a minimum fixed quantum of at least \$70 or \$75 for that group of workers. The employer representative, SNEF Executive Director Koh Juan Kiat, felt it was a good idea to have a minimum dollar quantum for the low wage workers but thought that the amount was unbearable particularly for employers with large numbers of such workers and smaller companies. He said that it should be lower and perhaps be in the region of \$30 to \$35 plus a percentage to give the employers some flexibility to vary the wage increase. There was also debate on who should benefit from a quantitative guideline as in the past such guidelines have been applied to all workers.

This suggestion of a quantitative minimum dollar quantum, over and above the normal percentage increment, to help the low-wage workers was surfaced by the tripartite partners to their respective leaders and later in the NWC meetings as part of the agenda.

At the formal NWC deliberations, the issue of low-wage workers took centre stage. In its statement, NWC noted that the "basic wages of employees in the private sector grew by 4.4 per cent in 2011, higher than the increase of 3.9 per cent in 2010". However, while "workers in general have seen an increase in real incomes over the last 10 years", it also noted that the income growth of low-wage workers have "lagged behind the rest of the workforce".

The Council stated its concern that this group of employees "have not kept up with the overall pace of economic upgrading, productivity gains

and wage increases” despite the continued efforts of unions, employer groups and the government in helping them boost their incomes and employability through various schemes introduced over the years such as the Workfare Training Support (WTS) Scheme and the Inclusive Growth Programme (IGP).

In its guidelines released in May 2012, NWC, for the first time in 27 years, recommended a minimum quantum for low-wage workers.

For workers earning a basic monthly salary of up to \$1,000, the NWC recommended a built-in wage increase of at least \$50 while urging companies doing well to consider giving a larger increase.

The guidelines, which covered the period from 1 July 2012 to 30 June 2013, attracted much media attention as NWC had departed from its norm of issuing qualitative guidelines since 1986 by recommending a fixed quantum in wage increase.

The reason, as NWC chairman, Professor Lim Pin, explained at a press conference was that low-wage earners “have fallen behind the income increase of the rest of the workforce and Council members felt it necessary to spell out a minimum pay rise.

“The NWC wage guidelines focused very strongly on the low-wage workers and there was clear and unequivocal support from all tripartite partners of doing more to help the low-wage workers,” he emphasised.

MOM’s senior director, Labour Relations and Workplaces Division, Ong Yen Her spoke of the lively debate on the issue during NWC discussions. “While there was agreement among all Council members that low-wage workers deserved a wage boost in the form of a quantitative guideline after this had been mooted by the NTUC, a spirited discussion ensued on what



New semi-automated packaging machines at People Bee Hoon allow the company to now pack up to three times more bee hoon than before. The purchase was co-funded under the Inclusive Growth Programme.

should be the quantum given and what constituted the category of low-wage workers.

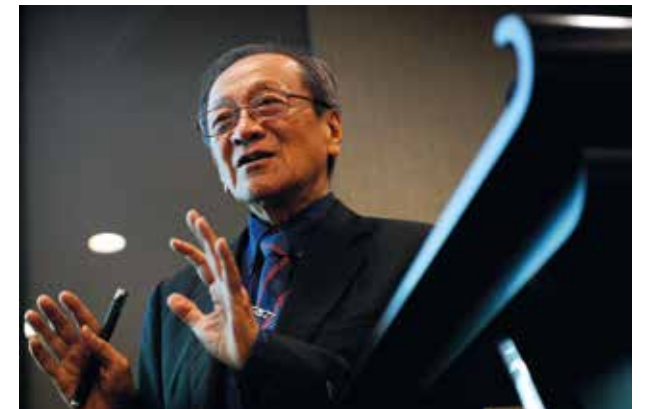
“The NTUC pushed for a quantum of \$70 to \$75 while the employers had in mind \$35. Finally, it was decided that a number between \$35 and \$75 would be considered. That was how the quantum of \$50 was arrived at. There was also debate on the category of low-wage workers with some members arguing that those earning up to \$1,500 should be included. Finally, it was decided that the category would cover those earning up to \$1,000.”

The recommendation to improve the lot of the low-wage workers was supported by the government, which later granted low-wage civil servants a pay rise above and beyond the recommended amount.

Prior to the NWC meetings, its founding chairman Professor Lim Chong Yah had cast the spotlight on low-wage workers when he addressed the Economics Society of Singapore on 9 April 2012. Highlighting the growing income inequality, he proposed hiking the pay of the lowest paid workers earning less than \$1,500 per month by 50 per cent over three years.

While acknowledging that Professor Lim Chong Yah’s remarks had helped to create more awareness that low wage workers were not well compensated, Professor Lim Pin also said: “Looking back at the history of the NWC, we had looked at the issue from time to time but there was more pressure this year with inflation. There was also the fear that it may remove the incentive of people to work hard if they don’t see the reward and they will only do the minimum to get by. As the pie grows, it has to be shared. After considering unions’ suggestion and feedback from employers, we decided on a quantum that is sustainable; the issue will not be a one-off; it will keep cropping up.”

Based on past NWC guidelines, the issue of low-wage workers has always been on the NWC radar right from the start. Even in the days of qualitative



In a lecture organised by the Economic Society of Singapore on 9 April 2012, Professor Lim Chong Yah, former chairman of National Wage Council, proposed a radical three-year economic restructuring exercise similar to the one Singapore underwent from 1979 to 1981, in a bid to solve rising income inequality and overdependence on cheap foreign labour.

guidelines, when no specifics were given in wage increase recommendations, NWC was concerned with the plight of low-income workers. Through the 1990s and late 2000s, NWC had been urging companies to give higher wage increases to their low-wage workers.

In 2008 and 2011, when inflation was higher, NWC suggested that companies could grant a one-off special lump sum payment subject to mutual agreement between management and the union to help workers to cope with the higher costs of living. This was in addition to the Budget 2008 “surplus sharing package and GST offset package” and the \$3.2 billion “Grow & Share” Package announced by the government in Budget 2011 to help workers and households weather the inflationary impact.

However, in 2012, it was clear that the union had strongly pushed the point that low-wage workers really needed special assistance and this was supported by both the government and employers. Hence, a specific recommendation for the low-wage workers was included in the guidelines.

JOB-HOPPING

NWC first touched on the issue of job-hopping after several members in the Council complained of the frequent turnover of staff faced by companies in certain sectors. It was in 1977 and the economy was growing, resulting in a tight labour market with workers frequently changing jobs for better pay.

Not only did the high turnover disrupt operations but it also made it difficult to train workers if they were not going to stay. While calling on workers to cultivate patience on the job and for management to improve the job environment, NWC recommended in its 1977 guidelines, that with effect from 1978, the NWC wage adjustment “should not be given to employees with less than 12 months’ service except those that are retrenched, those whose addresses have changed or whose companies are relocated elsewhere, new

entrants to the labour market and other cases mutually agreed to by both employers and unions.”

For employees who had undergone expensive training, NWC suggested the imposition of bonds, with the length of bond commensurate with the expense and length of training.

The job-hopping problem still persisted and NWC had to repeat its recommendation in subsequent years until 1982.

While acknowledging that with economic restructuring there would be labour mobility as workers moved from labour-intensive industries to more skill-intensive areas of employment, “which is itself desirable,” it pointed out that changing jobs several times a year was “irresponsible”.

The situation did not improve. In fact, as SMMWU’s former secretary-general Eric Cheong recalled, it got so bad that in 1980 “some Council members representing employers proposed penalising job hoppers by deducting a portion of the company’s contribution of the CPF. The NTUC representatives in the Council opposed this proposal vigorously. We felt that job hopping was the function of a tight labour market and hence it should be left to market forces. Fortunately, this was supported by the chairman.”

Finally, a compromised approach was adopted. NWC decided to request the Central Provident Fund Board (CPF Board) to set up a system to monitor the number of times an employee changes his/her job. An employee who changes job more than three times a year would be deemed to be a job hopper and any employer could check with the CPF Board on their employment records before recruiting them. Unfortunately, only a handful of employers made use of this facility and the system was abandoned.

PART-TIME WORKERS

In 1990, NWC considered another way of providing labour. Noting that the local workforce was growing slowly and was being supplemented by a large pool of foreign workers, which it said could not be continually enlarged, NWC urged the need to “make better use of our own manpower resources, not only those already employed but also the economically inactive – older workers and housewives”.

As a potential source of labour, it said that part-time workers were relatively untapped. The rate of part-timers’ share of employment in Singapore then, it pointed out, was only 3 per cent, compared to 12 per cent in Japan, 17 per cent in the US and 24 per cent in Sweden.

Yet, an Annual Labour Force survey had shown that a large number of housewives were keen to work part-time. With part-time workers tied to flexible working hours, NWC urged employers to consider seriously the employment of more part-time workers and to promote flexible work arrangements.

It was envisaged that the women who could be tapped upon to work part-time would be aged 30 to 54. For the younger housewives, as more childcare facilities were made available, there was a possibility that some of these part-timers would go full-time.

In 1997, it noted that the Ministry of Labour was launching a “Back to Work” Programme for economically inactive housewives and older persons in conjunction with PSB (Productivity and Standards Board), NTUC and SNEF. Even though there was some response to NWC’s call to recruit more women into the workforce, the numbers were not large.

The easy availability of foreign workers was a key factor making it unnecessary for employers to introduce part-time work. The unattractive remuneration package was also another reason why part-time employment remained low in Singapore.

RAISING THE RETIREMENT AGE NORM

In 1988, NWC noted that with an increasing life expectancy, ageing workforce and fewer younger workers entering the workforce, “older workers need to be retained for as long as possible, and the retirement age should be raised above the current norm of 55 to 60 years or even beyond”.

To bolster its case, it cited the following statistics: In 1986, workers aged 40 to 49 comprised 15.7 per cent of the workforce. In 1996, the figure rose to 25.7 per cent. In 1986, 335,562 workers in Singapore were aged 40 and above; in 1996, the number climbed to 689,645 or an increase of 105.2 per cent, while the total workforce went up by only 14.4 per cent.

Employers, however, were resistant to the idea of prolonging workers’ careers because with the existing seniority pay systems with long salary scales, older workers would be paid more than younger workers for the same job.

In view of the concerns expressed by the employers, the tripartite partners agreed to adopt what was dubbed a “promotional period” during which employers were encouraged to raise the age of retirement to 60 years on a voluntary basis. After three years of promotion efforts, while the unionised sector had responded well to the call, the responses from the non-unionised companies were disappointing.

In 1991, two out of three new collective agreements in the unionised sector specified the retirement age at 60 while in the non-unionised sector, only 6 per cent of companies had done so.

In the meantime, NTUC, at its Triennial Delegates Conference, adopted a resolution calling on all employers to raise the retirement age to 60 and to provide training and employment opportunities for older workers.

In its 1991 guidelines, NWC urged employers to raise their retirement age to 60 or above “if they had not already done so”, noting that the government was reviewing the matter and considering legislation which would introduce rigidities.



ABOVE LEFT:
Pantry chef Chan Cheow May, 65,
was re-employed at her former
company, Tonkichi Restaurant, upon
reaching retirement age.

ABOVE RIGHT:
In 2010, the three horse handlers at
the Singapore Polo Club, (from left)
Salleh, Kassim and Ashari, were 80,
79 and 77 years old respectively
and were working well past their
retirement age. The club was one
of several companies with post-
retirement age workers.

LEGISLATION OF MINIMUM RETIREMENT AGE

The lack of progress in implementing the retirement age voluntarily in the non-unionised sector, which was a much larger sector, led to a government decision to pass a new law – the Retirement Age Act – in 1993 to set the statutory minimum retirement age at 60.

In its 1993 guidelines, NWC urged workers to take advantage of the legislation and continue to work up to 60 years and beyond. “By doing so,” it said, “older workers will continue to have a regular income and CPF savings to meet their old age needs.”

But with the legislation, Dr Lee Boon Yang, then Minister for Labour, was concerned about rigidity being introduced in “the then very free and flexible” labour market.

With the passing of the Retirement Age Act in 1993, employment opportunities were provided for some 63,000 Singaporeans who would otherwise have retired at the age of 55. The new law has brought about significant outcome in getting employers to retain their older employees

till the age of 60. This was reflected in the labour force participation rate for employees aged 55 to 60, which increased from 47 per cent in June 1993 to 52.6 per cent in June 1996.

In 1995, in view of the rapidly ageing workforce, the issue of extending the retirement age from 60 to 65 was raised and eventually to 67 as a long-term government objective. Unlike legislating the retirement age at 60, from the norm of 55 in 1993, raising the retirement from 60 to 62 was much more touchy and complicated, with strong resistance from employers.

Then Minister for Labour Lee Boon Yang recalled the retirement issue as a particularly difficult one that his ministry had to handle. He elaborated: “Workers clearly would like to work beyond the then retirement age norm of 60. Employers, on the other hand, were very concerned that with the entrenched seniority-based wage system, many older workers would become too costly for their companies.”

To address the issues, a tripartite committee was set up to look into how the statutory minimum retirement age could be raised to 65 and eventually to 67 without undermining the cost competitiveness of businesses. The tripartite committee comprising key representatives from SNEF, NTUC and MOL (chaired by then Permanent Secretary Moses Lee) recommended that the statutory minimum retirement age be raised from 60 to 62 effective from 1999 with cost-cutting measures to be put in place to address the concerns of heavy cost burdens of employers due to our seniority-based wage system.

It also set off a flurry of activity. Dr Lee said: “We, at the ministry, had to spend a lot of time persuading the unions and employers to accept the need for some compromise under a mandated minimum retirement age. We also



Alexander Melchers (centre),
43, walks the re-employment
talk at his company, C. Melchers
GmbH and Co. With him are the
company’s administration and
warehouse manager Lawrence
Miranda, who will be re-employed
when he turns 62 in August, and
housekeeper Kamsaton Waridi, 63,
who was re-employed last year.
Mr Melchers was the chairman
of the Tripartite Implementation
Working Group on Employability
of Older Workers (TIWG), which
comprised representatives from the
government, NTUC and employer
groups. Formed in October 2007,
TIWG was tasked with working out
details of the new Retirement and
Re-employment Act and the tripartite
guidelines.

indicated the intention to move beyond 60 to the long-term target of perhaps 67 ... but further changes could be considered in the light of experience after the initial move.

“There were many meetings at the tripartite committee to address employers’ concerns on the burden of costs in view of our entrenched seniority-based wage system which imposed a heavy burden on the employers in retaining older workers beyond 60.

“The unions, on the other hand, were concerned that any wage cut would also affect the retrenchment payment, which was based on the length of service.

“I think it took more than six months for the committee to forge a compromise, whereby employers’ retrenchment payment burden would be significantly reduced for older workers nearing the retirement age of 60 should they be retrenched. We also allowed employers to reduce their older workers’ employer’s CPF contribution as a means of addressing the concern over the seniority-based wage system. This meant that employers would make less contributions to the CPF savings of their older workers.”

He hastened to add: “Cutting employers’ CPF contribution is always viewed negatively by workers as such cuts can seriously affect their ability to meet mortgage repayments especially for the older upgraders. But here the NWC provided a valuable forum to thrash out the pros and cons for making these adjustments for older workers so they could continue working beyond age 60 and possibly even longer.”

Taking into consideration the concerns of both employers and the unions, the committee recommended that the statutory minimum retirement age be raised gradually, from 60 to 62, with cost cutting measures put in place to address employers’ cost concerns. This included allowing employers to cut wages and benefits up to 10 per cent of wage costs if a company has a seniority-based wage system as well as the cut in employer CPF



contribution. To address employers’ and employees’ concerns on the payment of retrenchment benefits based on years of service, the tripartite partners finally agreed to come up with a set of tripartite guidelines on retrenchment benefit payments to moderate the cost of retrenchments which include the capping of 25 years of service for computation of the retrenchment benefits as well as the “major discounts” of the total years of service if an older worker is retrenched near or above the age of 60.

The committee’s recommendations were accepted by the government and also supported by NWC. Accordingly, the statutory minimum retirement age was raised from 60 to 62 through an amendment to the Retirement Age Regulations in 1997. As a result of this amendment, and also the tight labour market, the labour force participation rate rose significantly over the years.

RE-EMPLOYMENT OF OLDER WORKERS FROM 62 TO 65

In 2005, the issue of extending the retirement age beyond 62 to 65 was again raised. Another tripartite committee, this time chaired by then Minister of State Gan Kim Yong was set up to look into how the retirement age could be

ABOVE LEFT:
Gan Kim Yong (third from left), chairman of the Tripartite Committee on Employability of Older Workers, during a visit to the Singapore Food Industries plant.

ABOVE RIGHT:
(Second from left) Then Manpower Minister Gan Kim Yong, then NTUC President John De Payva and labour chief Lim Swee Say at a dialogue session with unionists on 16 November 2009. The session was held to discuss the latest draft guidelines on the re-employment of workers when they turn 62 years of age.



LEFT, TOP:
Wong Keng Fye (seated, centre), Maybank Singapore's head of human resource, signed a re-employment agreement with Bobby Tay (seated, left), the Singapore Bank Employees' Union's (SBEU) general secretary, and Phua Tien Tim (seated, right), the Singapore Bank Officers' Association's (SBOA) general secretary, on 20 November 2009. Maybank was the first bank here to pledge that it will give a one-off payment to employees who cannot be rehired beyond retirement age.



LEFT, BOTTOM:
Mature graduates at YAH! Community College's graduation ceremony held at Singapore Polytechnic Convention Centre on 6 December 2009. With the number of senior citizens here growing, the government aims to get more older folk to work beyond the current retirement age of 62.

raised beyond 62. The committee, after studying the experiences of other countries, including Japan, had recommended that instead of raising the retirement age from 62 to 65 immediately like what was done earlier, it should adopt a re-employment approach. Under this approach, employers would be required to re-employ their older workers from 62 to 65 with minimum eligibility criteria. On the other hand, employers were given the flexibility to make adjustments to their job responsibilities as well as remuneration package based on their needs and circumstances.

To address employers' cost concerns, a set of tripartite guidelines was formulated by a Tripartite Implementation Workgroup (TIWG) to help employers and unions implement re-employment. In 2010, the re-employment legislation, together with the tripartite guidelines, was introduced in Parliament stipulating the obligations of employers to re-employ older workers from 62 to 65 based on the recommendations of the committee. In its statement supporting the recommendation, NWC noted that the re-employment legislation would increase the employment opportunities for older workers and "allow them the choice to continue working from 62 to 65. At the same time, employers can have access to a pool of experienced workers from which to tap on for their expertise and experience."

Since then, with the legislation of the re-employment law, the employment rate of older workers has improved significantly over the last 10 years. The employment rate of older residents aged 55 to 64 rose from 45.2 per cent in 2003 to a new high of 64 per cent in 2012.



Suet Awi (centre) was rehired by SingPost when he turned 62 in April 2011. He joined colleagues Abdul Mutalib Chik (left), 64, courier, and Tay Kok Cheng (right), 63, mail division director, who were among 31 employees then rehired by SingPost under its in-house re-employment policy introduced in 1994.



Tripartite leaders at NTUC May Day Rally 2010.

CHAPTER 11

The way forward

A LAUDABLE TRACK RECORD

NWC may have turned 40 but it is hardly showing any signs of a mid-life crisis. If anything, it can look back at having chalked up a solid track record and towards more good years ahead.

Still, the future for NWC is not without its challenges. And for the Council to remain robust and relevant, it has to be mindful of keeping intact the balancing act among the three social partners.

CHALLENGES FOR NWC

For NTUC's secretary-general Lim Swee Say, NWC has come a long way. "It has always been a consistent partnership in balancing the concerns of both workers and employers," he said.

To ensure its long-term success, he feels that NWC must "continue to gain the trust of workers and strengthen the trust among the tripartite partners so that the social partners will continue to attach great importance to the NWC guidelines".

He stressed: “The reason why the NWC has worked for the past 40 years is because we have been consistent in taking care of workers and businesses. We have the mutual interests of workers and businesses at heart. Being pro-business and pro-worker is two sides of the same coin.”

However, he noted that there will always be some deviations from the norm and that “even today not all companies would follow the guidelines to the full extent”.

He recounts an incident resulting from the crisis of 2008/2009. “The NWC tripartite partners, at that time, were calling on companies to cut costs to save jobs rather than cut jobs to save on costs.

“However, some organisations still went ahead to retrench workers without first consulting and pursuing other options with the unions. We were furious. The labour movement came out strongly against such an approach. We had to adopt a critical tone to prevent another runaway situation from happening which would hurt many workers and their families.

“So from time to time there are such recalcitrant companies. But on the whole, by and large, the NWC does receive the attention and support of unions and organisations and we have to ensure that this will continue. If we allow industries and organisations to get away with not observing the NWC recommendations, over time, the trust between labour and management will decline.”

And when that happens, he says, it will mean going back to the “confrontational relationship of the past”.

Indeed, in conversations with members of NWC, whether representing the unions, employers or the government, the word most bandied about is “trust” as the crux of the Council’s continued success.

As MOM’s senior director, Labour Relations and Workplaces Division, Ong Yen Her puts it: “You must remember, that before the NWC was formed, there was no formal framework that brought the unions, employers and



Lim Swee Say, Tan Chuan-Jin, Goh Chok Tong and Stephen Lee at a golf game.

the government together. The setting up of the NWC provided a tripartite framework that enabled the three social partners to work together and to build up trust and confidence.”

The way Mr Ong sees it, the tripartite relationship is a unique one that transformed an industrial relations climate of adversarial confrontation in the past to one where the partners have learnt to work and cooperate with each other for the benefit of all. The challenge is to continue maintaining this relationship, he says, which all boils down to trust.

Agreeing, NWC chairman Professor Lim Pin says: “Tripartism is key to what Singapore has been able to achieve and has been instrumental in helping it overcome the years of difficult recessions. It has been the key to Singapore’s success in attracting investors. Singapore has benefitted from this as a whole.

“This culture of working together has been inculcated by our political leaders from very early on. I remember our former Prime Minister Lee saying ‘Don’t rock the boat as we are in a small sampan’.

“Singapore is open to outside forces ... to whatever the economic winds that are blowing outside.

“The NWC’s track record has strengthened the trust among the three social partners but it can still be built up.

“The challenge for the NWC partners is how best to continue to work together.”

NWC member Alexander Melchers credits NWC in helping to maintain labour peace and a healthy industrial relations climate. He sees NWC as “absolutely critical for Singapore, going forward, because it’s a dense and small place ... the NWC’s constructive and strong focus is critical for Singapore to stay internationally competitive”.

While he says the three social partners get along well, he hesitates to call their relationship cosy.

“In the NWC, there is a lot of vibrant discussion on issues. And some members of the NWC do come out more aggressively to state certain positions. It is not exactly hostile but it is not cosy either. The NWC is all about building up trust.”

Agreeing, the NWC chairman, Professor Lim Pin, says: “Tripartism is key to what Singapore has been able to achieve thus far. Otherwise many issues may not be so amicably and easily resolved if this is taken away. Tripartite partnership has been key to Singapore’s success in attracting investments for economic growth and job creation. Singapore has benefitted tremendously from this as a whole.

“It is trust that is the key to tripartism and there is a good track record of trust having been built over the years ... during times of crisis when all three social partners worked together and when workers accepted sacrifices

of reduced wages, while during the good times, employers have rewarded workers so the trust is there ... the bonding is strong.

RELEVANCE OF NWC’S ROLE

For NTUC’s president emeritus John De Payva, NWC has an important role to play for the simple reason that for many businesses, it is a de facto human resources department.

He elaborated: “There are many small companies in Singapore which are not in a position to have a human resource (HR) department. For them, the NWC guidelines are an important reference tool, especially on wage-related issues and skills training. They rely on the recommendations of the NWC when making decisions on wages and HR matters.”

He added: “Singapore will always face challenges and we will still need tripartism to solve them. Tripartism is the manifestation of the NWC, so even if it changes its name or adds on to its role, the NWC format must remain because of its tripartite partnership. So it will still be relevant and must be preserved.”

Former Minister for Labour and later Manpower Lee Boon Yang has no doubt over the future of NWC. He said: “A tripartite forum such as the NWC is still relevant and beneficial to the Singapore economy, businesses and workers.

“I have no doubt that the NWC was an important element in our tripartite relations providing a significant advantage in our economic development. Wage negotiation is often a nasty and contentious affair in many other countries. In some countries such confrontations often led to strikes and lost production days. Companies get bogged down by the unrealistic demands of their workers and unions, while employers could also be unenlightened and unreasonable. It was an ‘us against them’ situation.

“Worse still, in some countries, sometimes political interests got involved, resulting in almost intractable disputes. With our NWC’s ability to objectively deliberate on wage-related issues and build tripartite consensus, we were able to avoid such disruptions. We avoided head-on confrontations.

“Investors valued our harmonious industrial relations. They valued our consensual wage guidelines and smooth wage negotiations as a strategic advantage. This was often reiterated and confirmed in meetings and conversations with business leaders particularly from MNCs operating in Singapore. I would go as far as to say that the NWC mechanism had helped us to win more than our share of FDI (foreign direct investment) from the MNCs of the world.”

Voicing his views on NWC’s future, SNEF’s president Stephen Lee says: “The NWC in 40 years has become a known institution. Even if it does not have the power of the law behind it, its recommendations are closely looked at and followed and so it has a role to play in continuing an orderly wage increase which most employers will like to see.”

However, when the economy matures and when it has been decided that the unions and employers can settle wage increases at the company level among themselves without the need to have an institution issuing guidelines, it would still be useful, he says, to retain NWC as “a safety net just in case things fail”.

Former Prime Minister Lee Kuan Yew who oversaw the formation of the NWC calls it a “unique system which has served us well”. Speaking at NTUC’s 50th anniversary dinner on 13 May 2011 as the guest of honour, he said: “It has stopped unions from being adversaries to squeeze employers out of business. Instead they have teamed up with the government and employers in a tripartite system that has brought benefits to workers, the government and employers because industrial peace creates confidence and



increases foreign investments. Whenever employers make above average rates of return on capital, profits are shared.”

RE-LOOKING THE ROLE OF NWC

For the NTUC’s former secretary-general Lim Boon Heng, for NWC to stay relevant, it would have to be like any other organisation and “evolve with the times”.

He says: “The NWC started as a forum on wage increases and ensured that we have a competitive wage system, but it should also discuss more than wages.

At NTUC’s 50th anniversary dinner on 13 May 2011 were (third from left) Prime Minister Lee Hsien Loong, NTUC secretary-general Lim Swee Say, then Minister Mentor Lee Kuan Yew, then NTUC president John De Payva, then President S R Nathan and then Senior Minister Goh Chok Tong.

“While wages still remains a key focus, other issues also need attention. For instance, our workforce has transformed from being largely rank-and-file workers to one that is now dominated by PMETs (professionals, managers, executives, technicians). We have to address issues that these PMETs face as they are mainly non-bargainable with no one to turn to; it is their employers who decide on matters such as their incomes.

“Then there is the income gap and the need to focus on helping low-income workers. With more and more work contracted out, maybe the NWC could also discuss contract work.

“There is also the global trend of middle income groups facing stagnation. We should study what is happening to them elsewhere to prepare us for when wage stagnation in this group takes place here.”

It is a concern that former Manpower Minister Lee Boon Yang shares. He said: “Apart from having to work together, the challenge is for the NWC members to continue to formulate wage guidelines which both businesses and unions find useful in facilitating wage negotiations.

“The NWC can help companies and their workers to better adapt to the rapid changes in a globalised economy with very short and sharp business cycles. Is our current wage structure best suited to the new business environment? What about the widening wage gap? How can we narrow this wage gap which is creating social and political tensions? At the same time how do we reward the top talents we need to keep Singapore at the forefront of business development and growth?

“I believe the NWC is the most appropriate forum for such issues to be analysed, discussed and resolved. Done objectively and dispassionately, we will be better able to achieve consensus and avoid a divide between employer and employees. This will enhance our competitiveness and ensure our prosperity.”

In recent years, there have been some calls for NWC to be more comprehensive in its guidelines. Some observers have voiced the need for NWC to be perhaps more specific in its recommendations by issuing guidelines pertinent to different sectors of the economy.

“It may not be very practical or appropriate,” says MOM’s permanent secretary Loh Khum Yean. To continue to be relevant, he feels that NWC guidelines do need to address the needs of the prevailing times. He gave as an example the departure from the norm of drawing up qualitative guidelines since 1986 when NWC recommended in its 2012/2013 guidelines a minimum quantum of \$50 in wage raise for workers earning up to \$1,000.

The situation warranted it, he said, but “generally qualitative guidelines are a guide for people to follow in spirit. The Public Services Division, for instance, uses them as a guideline to negotiate annual bonus payments. The ultimate users, the unions and employers, will use them as a framework for their negotiations too. The NWC recommendations are macro guidelines, providing a useful reference for the economy as a whole, but there is a need to factor in an individual company’s performance and outlook when it comes to actual implementation of the recommendations.

“Even non-unionised companies use the guidelines as a reference. The MNCs also find them useful as they realise that the NWC contributes to industrial harmony so the guidelines have to be seen in this perspective. There is no need to go into specifics.”

CASE AGAINST SECTORAL GUIDELINES

The question of whether NWC should issue sectoral guidelines had now and then surfaced.

“It was an issue that we had debated on for some time,” revealed NWC’s founding chairman Professor Lim Chong Yah, but finally, he said, “we

decided against it. We believed in having a policy of having a common playing field, one that is non-discriminatory where we do not favour one sector over another or one occupation over another.”

Besides, he said, it would be too unwieldy to manage in determining different guidelines for various sectors. Also, within each sector, there are different types of companies making it difficult to specify guidelines for an individual sector that would be applicable to all companies.

FUTURE OF NWC

On the long-term future of NWC, Professor Lim Chong Yah said: “The NWC is a good economic forum. It is not a complete economic forum though as it does not discuss issues like property prices or population density. Instead, it looks at issues such as economic growth and productivity to make sure we remain competitive and it discusses rates and causes of inflation. It does an audit of the economy every year.

“It is a good tripartite body in auditing the wage situation, remuneration situation and related matters such as maintaining industrial peace and growth with equity

“From there, if it wants to make special recommendations, it can do so.

“Whether guidelines should continue to be in the qualitative mode or go back to the quantitative mode depends on the situation of our economy. Singapore is so open and we don’t know where and when an ill wind would blow.

“My own hunch and advocacy is that we should go into qualitative mode during normal times. However, during times of crisis, perhaps quantitative is better.

“But whatever form it takes, the guidelines are reassuring for the government as it knows that the unions, the employers and the top civil servants are happy with them.

“So is the NWC still relevant? I would say ‘yes’. In fact, it is unique and this was how we have progressed.”

Professor Lim Chong Yah revealed that when he first began to chair the NWC forum in 1972, he thought that it would not last. “I thought there would be disagreements among the members, given the past history of relations between unions and employers. I gave the NWC perhaps three years. But see where it has led us today,” he beamed.

He added: “I think part of the reason for the success of the NWC was its ability to ensure orderly wage increases. The other was the ability to develop cooperation and a symbiotic relationship among the three social partners.”

Long may it remain that way.

ANNEX 1: LIST OF REPRESENTATIVES WHO PRESENTED VIEWS IN PERSON TO THE NATIONAL WAGES COUNCIL DURING THE 8TH SESSION

I. Employers' Representatives

NAME	DESIGNATION	ORGANISATION
1 Mr Larry Myers	Chairman	American Business Council
	Managing Director	Sundstrand Pacific Pte Ltd
2 Mr Richard Love	Vice Chairman	American Business Council
	Managing Director	Hewlett-Packard Singapore Pte Ltd
3 Mr K Mito	Councillor	Japanese Chamber of Commerce & Industry
	Managing Director	Hitachi Shipbuilding & Engineering Co Ltd
4 Mr K Yasukawa	Chairman of the Management Study Committee Director	Japanese Chamber of Commerce & Industry Fujitsu (S) Pte Ltd
5 Mr Y Hayashi	Member of the Management Study Committee	Japanese Chamber of Commerce & Industry
	General Manager	Singapore Time (Pte) Ltd
6 Mr S Kobayashi	Member of the Management Study Committee	Japanese Chamber of Commerce & Industry
	Managing Director	Hitachi Metals (S) Ltd
7 Mr T Sato	Managing Director	Murata Electronics (S) Pte Ltd
8 Mr Eric Ng	Personnel Manager	NMB Singapore Ltd
9 Dr Wong Kwei Chong	Executive Committee Member	Singapore Manufacturers' Association
	Managing Director	Aiwa-Atlas Electronics (S) Pte Ltd
10 Mr Lam Tian	Executive Committee Member and Group B Committee Chairman	Singapore Manufacturers' Association
	Managing Director	Union Garment Mfy (Pte) Ltd

11 Mr F W Aldag	New Chairman	German Business Council
	Managing Director	Rollei Singapore Pte Ltd
12 Mr W Meer	Outgoing Chairman	German Business Council
	Managing Director	Siemens Components Pte Ltd
13 Mr Chua Chor Teck	President	Singapore Association of Shipbuilders & Repairers
	Managing Director	Keppel Shipyard Ltd
14 Mr Low Guan Onn	Vice President	Singapore Association of Shipbuilders & Repairers
	Managing Director	Jurong Shipyard Ltd
15 Mr Lai Park On	Committee Member	Singapore Association of Shipbuilders & Repairers
	Executive Director & Personnel Manager	Mitsubishi Singapore Heavy Industries (Pte) Ltd
16 Mr D M Brown	Chairman	Singapore International Chamber of Commerce
	Chairman	Harper-Gilfillan (S) Pte Ltd
17 Mr C N Watson	Committee Member	Singapore International Chamber of Commerce
	Managing Director	Sembawang Shipyard Ltd
18 Mr R MacLean	Executive Director & Secretary	Singapore International Chamber of Commerce
19 Mr Teoh Khoon Keah	Director of Personnel	Guthrie Berhad
20 Mr G G James	Chief Manager	The Chartered Bank

ANNEX 2: THE FOLLOWING ARE SOME EXAMPLES OF COMPANIES PROFILED IN CASE STUDIES IN WAGE REFORM 1988 AS OUTLINED IN CHAPTER 6:

II. Union Representatives

NAME	DESIGNATION	ORGANISATION
1 Mr J A Nonis	President	Singapore Manual & Mercantile Workers' Union
	Chief Clerk	Boustead Shipping Agencies Singapore Pte Ltd
2 Mrs Cheong Swee Hong	Industrial Relations Officer	Singapore Manual & Mercantile Workers' Union
3 Mr A Rahman	Vice President	Food, Drinks & Allied Workers' Union
	Storekeeper	Cold Storage (S) Pte Ltd
4 Mr Tan Soon Yam	General Secretary	Food, Drinks & Allied Workers' Union
5 Mr Achuthan Choi	President	United Workers of Petroleum Industry
	Technician	Esso Singapore Pte Ltd
6 Mr Lai Weng Hoi	Assistant General Secretary	United Workers of Petroleum Industry
	Chemist	Mobil Oil Singapore Pte Ltd
7 Mr Eddie Teng	General Secretary	Singapore Bank Employees' Union
	Clerk	Hongkong & Shanghai Banking Corporation
8 Mr Vincent Chua	Committee Member	Singapore Bank Employees' Union
	Clerk	Bangkok Bank Ltd

Case Study One: Sales-related Model

THE COMPANY								
Colgate-Palmolive (E) Pte Ltd, an American-owned multi-national company was established in Singapore in 1966. It manufactures toothpaste, detergent, shampoo, soap and other toiletry articles. The company has 38 employees, of whom 17 are bargainable and represented by the Chemical Industries Employees Union. It enjoys harmonious industrial relations with its union.								
COMPANY'S FINANCIAL PERFORMANCE								
Despite the general downturn of the national economy in 1985 and 1986, the company continued to enjoy strong growth in its business. The average sales growth for the period from 1984 to 1985 was 10.12 per cent per year.								
OLD WAGE SYSTEM								
Under the old wage system, the wage structure comprised the following: <ul style="list-style-type: none"> * A basic wage * A fixed quantum of Annual Increment (AI) ranging from \$35 to \$70 which amounted to 5 to 6 per cent of the total wage bill * An Annual Wage Supplement (AWS) of 1.5 months' basic salary 								
NEW WAGE SYSTEM								
In view of the NWC recommendation for moderate wage increases, the union agreed with the company to reopen the Collective Agreement and subsequently accepted a 3 per cent annual increment for the year 1986 and a 2 per cent service increment plus a year-end lump sum payment of 1/3 month's basic salary for the year 1987. Both parties also agreed that a proper flexible wage system must be established and would made effective from 1 January 1988. In September 1987, the company proposed to the union a flexible wage system which would be sales-related. After four months of discussions, the system was accepted by the union.								
FEATURES								
The new wage system comprised the following four components: <ul style="list-style-type: none"> * A basic wage * A small service increment of 2 per cent for the years 1988, 1989 and 1990 * An AWS of 1.5 months' basic salary * In addition, a non-cumulative bonus known as a variable performance bonus (VPB) based on the company's sales growth would be payable as shown: 								
PAYMENT OF VARIABLE PERFORMANCE BONUS (VPB)								
<table border="0"> <tr> <td>Company's Sales Growth (Current sales compared to preceding year's)</td> <td>VPB Month's salary</td> </tr> <tr> <td>0 to below 6</td> <td>0.25</td> </tr> <tr> <td>6 to below 10</td> <td>0.50</td> </tr> <tr> <td>10 and above</td> <td>0.75</td> </tr> </table>	Company's Sales Growth (Current sales compared to preceding year's)	VPB Month's salary	0 to below 6	0.25	6 to below 10	0.50	10 and above	0.75
Company's Sales Growth (Current sales compared to preceding year's)	VPB Month's salary							
0 to below 6	0.25							
6 to below 10	0.50							
10 and above	0.75							

Case Study Two – Variable Payment Scheme

THE COMPANY
The company is a wholly owned German manufacturer established in Singapore since 1974. It merged with another German Group of companies in 1988, and is now known as Asea Brown Boveri (S) Pte Ltd. Its head office is in Mannheim, Germany. The company manufactures electrical switch gears and communications equipment. It exports 90 per cent of its products to the Asian region.
THE WORKFORCE
The company has around 500 employees, of whom 430 are bargainable workers. The bargainable employees are represented by the United Workers of Electronic and Electrical Industries (UWEEI) Union. The majority of the workers have between five to seven years of service with the company. The turnover of workers in the company is around 3 per cent of its total workforce. Like most companies in the electrical and electronic sector, a large part of Asea Brown Boveri's workforce comprises female production operators.
PERFORMANCE
The company's sales increased from \$30.1million in 1986 to \$36 million in 1987 with a sales figure of \$42 million expected to be achieved in 1988.
LABOUR MANAGEMENT RELATIONS
Relations between the company and the union have always been cordial and the company has, in fact, extended opportunities to the Union to help them recruit more members among its workforce.
THE PREVIOUS WAGE SYSTEM
The company had a unique wage system. Production operators were hourly rated while the rest of its workforce was monthly rated. It had no salary ranges or scales in the previous salary structure. Only starting salaries were stipulated. Monthly rated staff was graded into a total of 30 levels with different starting salaries for each level and increments were given annually. For production operators, the salary structure had four levels with different hourly rates. The same starting hourly rate was paid to all new production operators. However, every three months, the operator was moved up to the next level with a higher hourly rate until the completion of 12 months' service. After this period, all production operators were paid identical hourly rates. There was no differentiation in the hourly rates for operators, irrespective of their number of years of service with the company. The company and the union negotiated yearly, the increments and the increase in hourly rates, using the NWC recommendations as guidelines in the negotiations. The average monthly salaries for the monthly rated staff and the hourly rated production operators were \$750 and \$500 respectively.

THE FLEXIBLE WAGE SYSTEM
The main objective of the new wage system is to provide for a portion of the wages to be made responsive to the performance of the company.
THE FEATURES
(a) The salary structure for the monthly rated and hourly rated employees remain unchanged. (b) The company and the union would negotiate the annual increase taking into account the following factors: <ul style="list-style-type: none"> * Company's performance * National Gross Domestic product (GDP) * Wage levels of the industry * NWC's recommendations (if any) * Overall business circumstances (c) Details on the annual increase are as follows: <ul style="list-style-type: none"> * A service increment of 2 per cent would be given. In the event of a severe downturn in the company's business, the company may negotiate with the Union to reduce the service increment. * The balance of the negotiated annual increase after deduction of the service increment component would be paid as a cumulative variable payment to be given in December of the current year. The variable payment would be accumulated up to a maximum of two months' basic salary. * The company and the union would negotiate the quantum of downward revision of the cumulative variable payment when the company's performance declined. * Employees who resigned or have their services terminated other than for misconduct would be paid a pro-rated amount of the variable payment accumulated.
IMPLEMENTATION
The new wage system was agreed upon and incorporated into the Collective Agreement in March 1988 to be implemented in July 1988.

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