

SINGAPORE'S NATIONAL WAGES COUNCIL: ITS INFLUENCE ON INDUSTRIAL RELATIONS

I. INTRODUCTION

Prior to the establishment of the National Wages Council (NWC) in 1972, wage negotiations in Singapore were conducted entirely on a decentralised basis. Each problem was dealt with in terms of its own immediate dynamics—the position of the particular employer with respect to his ability to pay, the needs and skills of the workers in the particular establishment, and the power relationship between the two.¹ Little emphasis was placed on national economic considerations in negotiations: the decision-makers were persons too absorbed in their own individual situations.

In 1972, continued consideration of wage issues on a decentralised basis threatened to result in a wage explosion. Previously, high unemployment had kept wages down. Rapid economic development however reduced the unemployment rate from 7.3% in 1968 to 4.9% in 1971;² indeed, the lack of available Singaporeans increasingly forced our new industries to depend on foreign workers. Economic prosperity and the tight labour supply raised workers' wage expectations. Whilst conceding the desirability of raising wages after a long period of restraint, the Singapore Government sought orderly and rational wage increases attuned to national economic and social priorities with emphasis on long-term gains as well as short-term benefits. It feared that traditional decentralised wage negotiations might yield too readily to immediate economic pressures, resulting in large uncontrolled wage increases. Such an occurrence would scare away domestic and foreign investment, the lubricant of Singapore's economic growth. Given the nation's lack of natural resources, the loss of investors' confidence would have caused the swift return of high unemployment.³

In an attempt to avert the problem, the Singapore Government decided to create a tripartite forum to formulate a national wages policy which could be successfully implemented. The views of labour and management leaders on such a forum were sought⁴ and after a

¹ For an illustration of the approach adopted by labour and management, see *Singapore Printing Employees' Union v. The Straits Times Press (Malaya) Ltd.* [1962] G.G.S. 2337, at 2341.

² *Singapore Annual Key Indicators, 1968-1977*, Department of Statistics, Singapore, 15 April 1978.

³ A statement of the Government's position was made by the then Minister for Labour at the National Trades Union Congress 1972 May Day Rally: see *Appendix 1, infra*, p. 85.

⁴ Speech by the Minister for Finance, Mr. Hon Sui Sen, *Straits Times*, 19 June 1971.

favourable response was obtained,⁵ the National Wages Council (NWC) was established on 7 February, 1972. Labour, management and the Government each had three representatives in the NWC, which was chaired by an independent chairman.⁶

Since its creation, the NWC has recommended wage increases annually. Its recommendations have been widely adopted by labour and management. The first (1972) recommendations were applied to at least 100,488 unionised workers.⁷ Two years later, its recommendations covered:

... the entire public sector, almost the entire unionised sector and a significant proportion of the non-unionised sector. According to one official estimate about 70% of the employees in Singapore were directly affected....⁸

A Ministry of Labour survey conducted in October 1979 showed that a total of 489,000 bargainable employees (83% of the workforce) directly benefitted from the 1979 recommendations.⁹ Most recently, a similar survey in October 1980 indicated that 93.8% of eligible employees had already benefitted from the NWC's main wage increase recommendations (the so-called "first tier" guideline) for that year.¹⁰

Implementation of the NWC's recommendations has resulted in substantial wage increases for workers¹¹ without threatening Singapore's economic prosperity or its industrial harmony. Between 1972-1980, the Gross Domestic Product (GDP) has shown consistent growth in real terms¹² whilst the inflation rate has been kept within acceptable limits.¹³ Simultaneously, the labour force has grown from 547,969 persons in 1972 to 1,068,932 persons in 1980.¹⁴ Unemployment has fallen from 4.7% to 3.0% over the same period and the number of industrial stoppages has been insignificant.¹⁵

⁵ *Straits Times*, 20 June 1971 and 14 July 1971.

⁶ *Ministry of Labour Press Release*, 8 February 1971.

⁷ *1973 NWC Recommendations*, 21 April 1973, para. 7.

⁸ *Ibid.*, 1975, 6 June 1975, para. 6.

⁹ *Ibid.*, 1980, 3 June 1980, para. 1.3.

¹⁰ *Ibid.*, 1981, 13 May 1981, para. 1.7.

¹¹ See Table 1, Col. 1.

¹² *Ibid.*, Col. 2.

¹³ *Ibid.*, Col. 3.

¹⁴ *Ibid.*, Col. 4.

¹⁵ *Ibid.*, Cols. 5 & 6.

Year	COLUMN 1 NWC Wage Increase Recommendation	COLUMN 2 Percentage Growth in Real Gross Domestic Product (GDP)	COLUMN 3 Percentage Increase in Consumer Price Index (CPI)	COLUMN 4 No. of Employed Persons 15 Years and Above	COLUMN 5 Unemployment Rate	COLUMN 6 No. of Industrial Stoppages (Major) (Minor)
1971	—	10.6%	1.9%	487,464	4.9%	2 Not available
1972	8% (without offsetting of annual increments)	11.3%	2.1%	547,969	4.7%	10 Not available
1973	9% (with varying rates of offsetting depending on wage income)	11.1%	19.6%	609,545	4.5%	5 Not available
1974	\$40+6% (without off- setting) or \$40+10% (for those without annual increments)	6.8%	22.3%	824,400	4.0%	10 28
1975	6% (with offsetting sub- ject to min. 3% in- crease)	4.1%	2.6%	833,500	4.5%	7 18
1976	7% (with full offsetting of annual increments on a group basis)	7.2%	1.9%	870,400	4.5%	4 10
1977	6% (with full offsetting of all increases on a group basis)	7.8%	3.2%	914,200	3.9%	1 10
1978	\$12+6% (with full off- setting of all increases on a group basis)	8.6%	4.8%	955,600	3.6%	— 3
1979	\$32+7% (with full off- setting of all increases on a group basis)	9.3%	4.0%	1,018,328	3.3%	— 5
1980	\$33+7½% (with full off- setting of all increases on a group basis) plus 3% for above average performers	10.2%	8.5%	1,068,932	3.0%	— Not available
1981	\$32+(6%-10% range) (with full offsetting of all increases on a group basis) plus 2% for meritorious performers	9.6% (1st Quarter)	5.7% (1st Quarter)	Incomplete	Incomplete	Incom- plete Incomplete

TABLE 1: NWC WAGE INCREASES AND ECONOMIC AND INDUSTRIAL RELATIONS INDICATORS 1971-1981

Sources: NWC Recommendations, 1972-81;

Ministry of Labour Annual Reports, 1971-79;

Singapore Annual Key Indicators, 1968-71, Department of Statistics (April 1978);

Singapore Yearbook of Labour Statistics, 1979 & 1980, Research & Statistics Division, Ministry of Labour;

Economic Survey of Singapore, First Quarter, 1981, Ministry of Trade & Industry.

This article identifies the factors responsible for the extensive implementation of the NWC's recommendations and considers the effect that these recommendations have had on individual labour-management negotiations. It also considers the future role of the institution.

II. *STRUCTURE OF THE NWC*

Formulation of any wages policy is no easy task. The natural antagonism which labour and management evoke in each other does not encourage constructive discussions with a problem-solving aim. In Singapore, there had been no previous experience in managing such a problem on a national scale. Clearly there was a need to create a structure that maximised constructive deliberations between labour and management, to achieve acceptable and effective solutions. Several steps were taken to cultivate the emergence of such a structure in Singapore.

(a) *A Seperate Forum: No Distractions*

The NWC was established to deal solely with the already numerous and complex problems of a national wages policy. It has no other functions. By creating a special body to handle these problems, Singapore escaped the difficulties faced by the American Council of Economic Advisers when it administered wage and price guideposts in the 1960's. That Council could not devote its full attention to such matters as it had other responsibilities; moreover, its adventure into the field of wage and price controls reduced its acceptability and sapped its energy in the area of general economic policy, where it was originally meant to function. When controls were re-imposed in the 1970s, the United States Government saw the wisdom of establishing special bodies to administer them.

By creating a special forum to deal with the formulation of the national wages policy, the Singapore Government avoided difficulties which might have arisen had the responsibility been entrusted to other bodies, such as the pre-existing Industrial Arbitration Court.¹⁶

(b) *A Permanent Institution*

A recurrent problem with labour-management negotiations is that there is a tendency for both sides to adopt a "winner-take-all" attitude. Each tries to secure the maximum advantage from the negotiation. The 1945 conference of American labour and management leaders shows how damaging such an attitude can be. President Truman had the idea that if he could only get unions and management together under government auspices to agree upon some general principles, he could avoid the clouds of industrial conflict that had already gathered on the horizon. So the highest levels of management and union authority and some of the most expert public manipulators of labour and management positions convened in a tripartite conference in Washington, D.C. They tried to agree on principles that would assure industrial peace. The conference broke up without coming to

¹⁶ Some of the difficulties that might have been encountered by the Industrial Arbitration Court are discussed *infra.*, p. 77 *et seq.*

any agreement. One of the difficulties the conference faced was that the management group saw the meeting as their only opportunity to resolve the question of management prerogatives. Their goal was to get the question resolved "once and for all". The union group was equally resolved not to concede any point as that might result in a permanent concession. Thus, the conference failed partly because it attempted to do too much at one time through an *ad hoc* procedure.

In contrast, the NWC "is not an *ad hoc* committee. It is a standing council. Its longevity of life is at the pleasure of the Government."¹⁷ This sense of permanency has a profound influence on negotiations.

By emphasizing the long-term, continuing, nature of its work, the NWC encourages labour and management representatives not to press for short-term gains. It becomes more important to establish a continuing influence and relationship in the NWC than to gain a short-lived advantage from it. The negotiating process thus becomes more akin to the realities: labour and management are almost always obliged to work together for long periods on a continuing basis. An *ad hoc* negotiating process distorts this fact.

The permanent nature of the NWC also stresses its ability to make continuous and regular reassessments. This is possible as the duration of NWC recommendations is left at the Council's discretion.¹⁸ The NWC has usually adopted recommendations on an annual basis.¹⁹ For example, the NWC originally decided that its recommended wage increases be paid in full to all employees, whether or not they were entitled to fixed annual wage increments. It subsequently became apparent that this decision unduly penalised employers (mainly the large British companies) who paid their employees such fixed increments in contrast to those who paid variable bonuses in addition to salaries. Employees entitled to fixed increments frequently received two annual wage increases amounting in total to more than the intended wage increase guideline recommended by the NWC. By 1976, the NWC had completely reversed its earlier decision and agreed to offset all built-in annual increments against its recommendations.²⁰

The permanence of the NWC also cultivates an increasing sense of legitimacy for its recommendations. Distrust often accompanies *ad hoc* executive intervention, as was the case with the Council of Economic Advisers' guideposts in America. In contrast, the NWC's recommendations become more significant and acceptable the longer the Council exists whilst it amasses greater institutional experience.

¹⁷ Press Interview with the Chairman of the NWC, *Straits Times*, 12 February 1972.

¹⁸ With respect to the frequency and timing of NWC recommendations, [t]he Government gives complete discretion to the NWC in this matter without giving up its right to have the views and recommendations of the NWC on any specific issue to be submitted within a stipulated time limit... the NWC will continue its work taking its own initiative to make recommendations and also making such recommendations in response to specific requests by the Government.

Ibid.

¹⁹ But see *infra.*, n. 24.

²⁰ See *1976 NWC Recommendations*, 18 June 1976. Partial offsetting was first accepted in the *1975 NWC Recommendations*, 21 April 1973, at para. 2.8.

(c) *A Harmonising Focus*

In traditional negotiations, labour and management representatives confront each other over a pre-existing dispute, the resolution of which frequently has direct and intense personal significance for the negotiators themselves. The focus in the NWC is on the eventual resolution of issues of national importance, not the immediate settlement of current issues of localised but intense discontent. The difference in the NWC's role is apparent in its terms of reference:

- (a) to assist in the formulation of general guidelines on wage policy;
- (b) to recommend necessary adjustments in wage structure, with a view to developing a coherent wage system consistent with long-term economic and social development;
- (c) to advise on desirable incentive systems for the promotion of operational efficiency and productivity in various enterprises.²¹

In the NWC, it is possible to stress the desirability of reaching agreement; the content of such an agreement recedes from immediate attention to receive more dispassionate, impersonal, treatment by the negotiators. The broadened, national, perspective permits concentration on mutual interests rather than opposing goals. Given the involvement of "national interests", concessions by labour or management are not viewed as a loss to an opponent but as a patriotic move; hence no one emerges from negotiations with a "winner" or "loser" image. The forum retains its neutral outlook, enhancing its acceptability.

The prospective focus of NWC deliberations also results in less tension being generated in the negotiations. Unlike traditional labour-management negotiations, NWC discussions are aimed at resolving problems *before* specific disputes arise. This defuses the situation, lowering the barometric pressure in the negotiation room as well as the blood pressure of the negotiators. Rational discussion is promoted, making agreement more likely. The harmonising role of the NWC was displayed in its first set of recommendations. By recommending a maximum quantum for bonuses,²² the NWC defused potentially explosive negotiations on this subject between individual employers and their employees.²³

The NWC's response to the inflation caused by the sudden rise in oil prices in October 1973 also demonstrates its ability to defuse potential disputes. Instead of allowing inflation to diminish the real income of workers and thereby prompt them eventually to demand larger wage increases in individual negotiations, the NWC preempted such negotiations by recommending an interim wage supplement in January 1974.²⁴ This recommendation, implemented from February

²¹ *Ministry of Labour Press Release*, 8 February 1972.

²² See 7972 *NWC Recommendations*, 8 April 1972, para. 3.

²³ *Straits Times*, 22 June 1972.

²⁴ 1974 *NWC (Interim Monthly Wage Supplement) Recommendations*, 29 January 1974. In making its recommendations, the NWC stated that,

[i]n view of the sharp increases in oil prices and their multiple effects which will aggravate the current largely imported abnormal inflationary situation not foreseen early last year when the NWC made its 1973 recommendations, and taking into consideration the time lag between now and 1 July 1974 when the new (1974) NWC recommendations will take effect, the NWC has thus considered it desirable to deliberate on interim guidelines for wage increases. After careful consideration, the NWC unambiguously makes ... interim recommendations....

1974, helped insulate workers from the effect of higher oil prices. It removed another potentially disruptive factor from consideration in individual wage negotiations.

(d) *Non-interference in Specific Negotiations and Disputes*

The NWC has never intended to interfere in any particular wage negotiation or dispute.²⁵ Such non-interference has contributed significantly to its success. The existing labour and management institutions do not consider the NWC as a rival. The active cooperation and support of unions and management organisations would not have been forthcoming had they perceived the NWC as a threat to themselves. Such fears were voiced when the NWC was established. The Deputy Secretary-General of the National Trades Union Congress (N.T.U.C.) warned the NWC to "limit its function to setting up national guidelines and not to usurp the role of trades unions in normal collective bargaining."²⁶ The NWC has heeded this warning, in accordance with its terms of reference. It has avoided entanglement in specific negotiations and disputes and has stressed this point in all its recommendations.

Unlike the position of the American Council of Economic Advisers in the 1960s, the NWC does not face a vast number of individual wage decisions requiring its review and possible intervention. Coping with such a load would be beyond its capacity unless it were to enlarge its supporting staff and create a bureaucratic machinery to deal with it.

Non-interference in specific negotiations and disputes also leaves NWC members with fewer issues on which they may disagree. The members can retain a detached perspective in the NWC whilst the institutions they represent remain unchallenged in their traditional roles as champions of either labour or management in individual negotiations and disputes.

(e) *A Consensus-Building Framework*

The NWC requires a large measure of consent, from both labour and management, if the policies it formulates are to be effectively implemented. It needs the support of a broad consensus for its decisions. This requires both labour and management to maintain a broad group perspective while inter-group influences are strengthened to cultivate mutual perspectives.

The NWC is insulated from the prejudices of particular sectors of labour and management through the selection of five persons to represent each group.²⁷ No one person can speak with full authority; consultation within each group is needed to determine group interests. This tends to widen group perspectives. It also exerts a moderating

²⁵ *Supra.*, n. 17.

²⁶ *Straits Times*, 23 June 1972.

²⁷ Labour, management and Government were each represented by three persons between 1972-1979; the representation was increased to four persons in 1980 and to five persons in 1981. The number of alternate members in the NWC has also increased. In 1981, management representation included seven alternate members, labour had two alternate members and Government had one alternate member.

influence on sectional demands as intra-group priorities are accommodated on a continuing basis. For example, in 1981 the five management representatives were drawn from the Singapore National Employers' Federation, the Singapore Chinese Chamber of Commerce and Industry, the Japanese Chamber of Commerce and Industry, the American Business Council and the German Business Group. The first two organisations represent the local business sector while the latter three represent the large foreign businesses. They and the full Council have to consider the different needs and priorities of employers, local and foreign, large and small.

Inter-group influences are strengthened through the procedure followed in NWC decision-making. Since its inception, the NWC has adopted the unanimity principle for decision-making.²⁸ This has done much to dilute the traditional conflict situation between labour and management. Reasoned persuasion is given increased importance. Just as in everyday work situations (unlike negotiation situations), labour and management need each other's support before either group gets what it wants. No group can be forced to concede. Of necessity, there is greater cooperation between the negotiators in the NWC. "At times... some compromises have to be reluctantly agreed upon in order to achieve unanimous acceptability."²⁹ More important, there is the opportunity and the incentive for individual negotiators to make alliances cutting across their own groups. It is pointless for them to commit themselves solely to their own groups. Broader links have to be established.

The need for all to consent also makes it useless for any permanent alignments to be formed that divide the NWC. Both the majority and the minority in the Council retain the power to veto any proposal. This compels the cultivation of a common consensus embracing all representatives, and its continuance.

The limitations of the unanimity approach are obvious. It rewards intransigent behaviour (at least on a short-term basis) and may promote a stalemate. Any action is possible only when all desire it over their individual priorities. Yet, it is submitted that the approach is not unsuitable for the NWC.

First, the approach reflects the realities outside the negotiation room. Any NWC recommendation can only be effectively implemented if labour and management concur. Else, such recommendations would at best be ignored; they might even prove destructive to industrial harmony, provoking partisan reactions. So long as the groups represented within the NWC remain dependent on each other outside the Council, it makes sense that this be reflected in the NWC's decision-making process.

Secondly, neither the individual negotiations nor the groups they represent are anxious to shoulder the responsibility for any failure to agree. The desire not to be blamed for a failure to reach agreement

²⁸ See, for example, the 1972 *NWC Recommendations*, 24 April 1972, and the 1974 *NWC Recommendations*, 8 May 1974.

²⁹ Talk given by the NWC Chairman to the Singapore Rotary Club, reported in *Straits Times*, 14 May 1981.

has, on occasion, induced individual negotiators to accede to recommendations supported by the majority in the NWC. Had it been possible, as under a majority system, they would have expressed strong dissenting opinions which would have polarised the situations. Instead, once having agreed to the recommendations (albeit reluctantly), any opposition is muted.

An illustration of this consequence is shown in the NWC's second set of recommendations for 1972.³⁰ Management representatives strongly objected to certain recommended wage increases being implemented without off-setting recent adjustments made to wage scales. They nevertheless agreed to accept the Government's decision on the matter "in order to retain unanimity"³¹ in the NWC's report. The Government subsequently decided that the increases should be paid in full.³² Opposition to the proposed increases from employers was muted, as few wished to attack proposals agreed to by the Government and their own leaders. Such constraints would not have been felt had the employers' representatives been formally listed as dissenters to the proposals. Being associated with the proposal, the management representatives could hardly denounce it nor lead the opposition to it. This concession by management representatives did not go unrewarded. They had shown a shrewd understanding of the long-term mechanics of NWC decision-making. Other NWC members appreciated what they had done, and this drew attention to the reasonableness of their position. The NWC subsequently adopted the off-setting principle they had advocated in later recommendations.³³

The unanimity approach thus results in the negotiators being encouraged to achieve the consensus that is essential for NWC decisions.

(f) *An Independent Chairman*

The co-equal responsibilities of government, labour, and management are emphasized in the way the NWC works. The consensus approach to decision-making, utilising the unanimity principle, is one example. More significant in this respect is the fact that the NWC's presiding officer is not identified with government, labour, or management. The presence of such a neutral, like the presence of the government representatives, helps cultivate an integrative, non-adversarial, approach by labour and management members. Yet, in resisting the temptation to appoint one of its own representatives as NWC Chairman, the Government has done more. It has demonstrated its commitment to tripartism in the actual conduct of negotiations.

The NWC Chairman is not affiliated with the government representatives. The independence of its Chairman shields the NWC from charges of government-domination. It also insulates the Government from immediate sole responsibility in the event of the NWC's failure. The burden is shared with labour and management leaders; this makes them less inclined to abdicate their responsible role in negotiations.

³⁰ 1972 NWC Recommendations, 24 April 1972.

³¹ *Ibid.*, at para. 2(ii)(k).

³² Address by the then Minister for Labour at the National Trades Union Congress 1972 May Day Rally, *Straits Times*, 2 May 1972: see *Appendix 1, infra*, p. 85.

³³ *Supra.*, n. 20.

Besides emphasizing the responsibility of labour and management, the Chairman's independence strengthens the institutional independence of the NWC. This permits the NWC to exercise greater flexibility in its approach to problems, not being too influenced by the inclinations of labour, management or government.

Independence has also increased the personal potential of the Chairman. He is not obliged to champion any parochial interest. Rather, he is cast in the role of a natural go-between interested in getting agreement on the whole range of issues before the NWC. The different negotiators in the NWC are more likely to use his good offices as a mediator because of his lack of factional identification — despite his intimate involvement in NWC activities.

The Government's recognition of the Chairman's potential is reflected in the person it has chosen to fill the position. The present, and only, incumbent is a university economics professor. He has no avowed philosophy or preferences in the field of labour-management relations but is technically competent and familiar with the subject-matter of NWC negotiations. While the nature of his role makes it hard to assess his individual contribution to the NWC's success, he clearly exercises much influence, especially over the atmosphere in which the NWC deliberates and the procedures it follows. Also, he keeps the government representatives from dominating NWC proceedings, reminding labour and management of their responsibilities.

(g) *A Warm and Private Setting*

Labour and management representatives are encouraged to engage in serious, frank, discussions and to agree upon practical solutions by the atmosphere in which NWC deliberations are held. Traditional labour-management negotiations are often held in uneasy surroundings, under the polarising glare of publicity. Such circumstances tempt negotiators to maintain rigid, antagonistic, postures that suit the atmosphere of confrontation. They hope to project a favourable "tough" image of themselves to their principals.

Meetings of the NWC are not held in impressive conference halls befitting the representatives of powerful interests. Instead, they are held in functional but more intimate surroundings³⁴ where there is a clear emphasis on the practical resolution of issues. As members grow more familiar with this informal setting, a more congenial atmosphere emerges in which unemotional and rational discussion is induced.

A sense of intimacy is also conveyed by the absence of a large institutional structure. The NWC does not have a full-time secretariat³⁵ and its staff has been kept very small; this might have been prompted by budgetary considerations but has had the favourable consequence of emphasizing that the NWC is very much what its members make of it. There is no aura of a bureaucratic machinery with a life of its own. Each member is reminded of the importance

³⁴ The NWC usually meets in the Board Room of a government statutory organisation, the Economic Development Board.

³⁵ Talk given by the NWC Chairman, *supra.*, n. 29.

of his own role. The small number of participants also permits members to get to know each other better, to be less influenced by prior prejudices. A sense of camaraderie between members, whether representing labour or management, is encouraged.

This intimacy is reinforced by the confidentiality of NWC deliberations. When asked by a reporter whether NWC meetings would be open to the press, the NWC Chairman said:

No, 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 recommendations based on cold solid logic, real hard facts and carefully considered judgment.³⁶

NWC meetings have always been held behind closed doors. Publicity focuses on NWC recommendations after they have been made, not whilst they are being formulated. This restriction on press coverage, together with the lack of aggressive investigative reporting in Singapore, lifts a restraint on the behaviour of NWC members. The process of formulating recommendations operates more freely. Members know there is little chance of reports of the deliberations going outside the negotiation room; they do not need to maintain too rigidly particular positions solely because rumours of possible changes might give rise to intense pressure from those they represent (often at a sensitive stage in negotiations). Negotiators are able to express their opinions frankly, knowing there will be no distortion or misinterpretation of their views arising from unexpected publicity. This also makes them more receptive to innovative suggestions. Finally, NWC members know they are addressing only their fellow members. There is no need to make inflammatory speeches within the Council, aimed at increasing their personal popularity and support outside.

(h) *The Nature of the End-Product*

Besides increasing the opportunities for labour and management leaders to agree, it is equally important that the NWC ensures that the substance of its recommendations is acceptable to individual negotiators. The process by which the recommendations are formulated ensures that although neither labour nor management is likely to be completely satisfied nothing highly objectionable to them will be included.

Since its formation in 1972, the NWC has concentrated on providing wage increase guidelines in its recommendations. This concentration on the first of its three specific terms of reference³⁷ is reflected in the increasingly detailed nature of these annual guidelines. Taking the 1981 recommendations as an example, one finds that it does more than to specify the quantum of the annual wage increase: it includes in an annex a detailed formula to help negotiators understand how such an increase should be offset against other wage increases, a working example of such offsetting and supporting tables where the wage increase calculations have already been computed.³⁸

³⁶ *Supra.*, n. 17.

³⁷ *Supra.*, n. 21.

³⁸ See *Appendix 2, infra*, p. 88.

Such sophistication reduces unnecessary disputes caused by uncertainty.³⁹ It allows a precise, technical, solution to problems.

The NWC has concentrated on its wage increase guidelines because it has obtained a clear consensus amongst its members on them. It has refrained from recommending adjustments to the general wage structure (its second objective) other than a single recommendation in 1975 that all NWC recommendations be incorporated.⁴⁰ That recommendation drew the following comment from the President of the Industrial Arbitration Court:

The recommendation of the Wages Council that employers both in the private and public sectors should incorporate all recommended wage increases into the wage structure of employees has however given rise and will continue to give rise to a new problem of wage integration in negotiations, collective bargaining and arbitration...this problem of integration of all recommended national Wages Council increases into the wage structure may well be the cause of an increase in disputes during wage negotiations in forthcoming months. The Council should perhaps in the next recommendations set out clear guidelines on how wage integration could best be implemented having regard to the prevalence of negotiated wage scales providing for automatic annual increments subject only to satisfactory service and the opposition of unions in general to any abolishment (*sic*) of such scales which employers seem to favour for the moment.⁴¹

Although the Government followed the recommendation in 1977 by incorporating the 1973-1977 wage increases into the wage structure of its employees, no clear consensus amongst other employers and their employees has emerged. The then Minister for Labour said in 1978 that “[d]espite the need for wage revisions, to date no formula that was satisfactory to all the parties concerned has been found.”⁴² Given the lack of a consensus, the NWC has wisely refrained from provoking controversy by making further recommendations on wage integration.

As to its third objective of recommending incentive schemes for the promotion of operational efficiency and productivity, the NWC has made various recommendations. Since 1976, it has recommended that NWC wage increases be denied to those employees whose work is unsatisfactory.⁴³ In 1977 and 1978, it suggested the introduction of merit/demerit schemes to relate wage increases with employees’ productivity.⁴⁴ In 1980 and 1981, a “second tier” wage increase was recommended, to be paid only to above-average employees.^{44A}

Unlike its wage increase recommendations, the productivity schemes suggested by the NWC have not been so widely accepted by employers. In 1978, the Industrial Arbitration Court noted that 126 collective

³⁹ “The precise recommendations of the National Wages Council including a working example for the offset of annual increments ... added to the clarity and understanding of the guidelines for the year. The areas of dispute in this respect were considerably reduced....” *Annual Report of the President of the Industrial Arbitration Court*, 1975, para. 25.

⁴⁰ *1975 NWC Recommendations*, 6 June 1975, para. 4(7).

⁴¹ *Annual Report of the President of the Industrial Arbitration Court*, 1975, para. 26.

⁴² Speech by Mr. Ong Pang Boon, *Straits Times*, 28 May 1978.

⁴³ *1976 NWC Recommendations*, 18 June 1976, para. 5.

⁴⁴ *1977 NWC Recommendations*, 30 June 1977, para. 4.2 and *1978 NWC Recommendations*, 15 June 1978, para. 4.2.

^{44A} *1980 NWC Recommendations*, 3 June 1980, paras. 2 and 3 and *1981 NWC Recommendations*, 13 May 1981, paras. 4 and 5.

agreements submitted by industrial parties for certification did not include the merit/demerit schemes recommended by the NWC in 1977.⁴⁵ The industrial Arbitration Court delayed certification of these agreements, at the suggestion of the NWC,⁴⁶ in an effort to get the parties to include such schemes. This proved only partially successful and the suggestion was not repeated in the 1978 recommendations. The "second tier" NWC recommendation of 1980 was again less widely accepted than the main wage increase recommendation; only 14.6% of employees surveyed by the Ministry of Labour in October 1980 benefitted from the former whilst 93.8% benefitted from the latter.⁴⁷

Unlike the position with regard to the wage increase guideline, the NWC could not reach a clear consensus on its second and third objectives. Its generally vague recommendations on these matters were thus less easily adopted by industrial parties. Its greater success with respect to its wage increase guidelines is due to the precise manner in which the consensus of labour, management and government on such guidelines is expressed.

III. INVOLVEMENT OF LABOUR AND MANAGEMENT LEADERS

In deciding from the outset to involve labour and management representatives in the work of the NWC, the Singapore Government avoided the mistake made in the United States in 1962. Then, the first peacetime system of wage and price guideposts was initiated in America. The guideposts were issued by the President's Council of Economic Advisers. Not having been developed with the approval and cooperation of labour and management, unions and businesses were quick to oppose them. Without labour and management support, the guideposts were unable to work when they were needed most, in the inflationary period from 1965. Strikes were even called by union leaders deliberately seeking wage increases in excess of the guideposts, to show militancy and win rank-and-file support. The American experience illustrates the importance of obtaining advance commitment to economic stabilisation policies from those to whom the policies are to be applied. When the Nixon Administration resorted to similar policies in the 1970s, labour and management representatives were involved in their formulation and administration.

When the NWC was created, Singapore was in need of a wages policy which would consider the general problems of inflation and economic activity on a continuing basis and develop more general perspectives for individual private and public wage negotiators. A mandatory wages policy was not a viable solution; the recent strikes in Poland illustrate the difficulties such a regulatory system would face. A non-mandatory policy requires a large measure of consent from labour and management; that is best acquired by involving them in the formulation of the policy.

⁴⁵ *Annual Report of the President of the Industrial Arbitration Court, 1977*, para. 28.

⁴⁶ *1977 NWC Recommendations*, 30 June 1977, para. 4.2.4. The Court's power to delay certification came from the Industrial Relations Act, Cap. 124 (Singapore Statutes, Rev. Ed. 1970), s. 24(2), *infra.*, n. 84.

⁴⁷ *1981 NWC Recommendations*, 13 May 1981, para. 1.7; see *Appendix 2, infra.*, p. 88.

Realising the need to involve labour and management, the Singapore Government acted to include them through their leadership. This was the right target group. The leaders exercise much influence because, particularly in the case of the labour movement, power in their groups is centralised. The Singapore labour movement was built from the top down, in a successful effort to prevent infiltration at the grassroots level by extreme left-wing elements. The National Trades Union Congress (N.T.U.C.) is the dominant trade union organisation. Its affiliated unions represent 95% of organised labour.⁴⁸ It provides the impetus for union organisation at the local level,⁴⁹ and affiliates remain heavily dependent on it for administrative and financial assistance. In the case of the management organisations,⁵⁰ their leadership has traditionally been drawn from the nominees of the larger business entities. These entities exercise much influence on their smaller associates because of their greater economic power.

The NWC stood little chance of success without the support of the labour and management leaders. However, while they possess the power to obstruct its work, these leaders are the ones most likely to cooperate. They possess the broadest perspectives within their groups as they deal with labour-management issues at a national level. They come into frequent contact with government leaders. Indeed, the leadership elite from labour, management and government have much in common. Besides similarities in character and outlook, there are close inter-relationships between them. Indeed, the relationship between the ruling Peoples' Action Party (P.A.P.) (which forms the Government) and the N.T.U.C. has been termed "symbiotic".⁵¹ The present Secretary-General of the N.T.U.C. is concurrently a Cabinet Minister; the N.T.U.C. President, Deputy Secretary-General and several other officials are P.A.P. Members of Parliament. Other P.A.P. Members of Parliament serve as advisers to N.T.U.C.-affiliated trade unions. The links between government and management are less apparent but nevertheless significant.

Singapore government leaders therefore have an intimate familiarity with their counterparts in labour and management. This familiarity

⁴⁸ *Ministry of Labour Annual Report, 1979.*

⁴⁹ As evidenced in its present move to re-structure its two largest affiliates, the Singapore Industrial Labour Organisation (S.I.L.O.) and the Pioneer Industries Employees' Union (P.I.E.U.) into smaller unions.

⁵⁰ Management was originally represented in the NWC by representatives of the then three largest management associations: the Singapore Employers' Federation (S.E.F.) (which drew its membership mainly from the big foreign businesses and joint ventures), the National Employers' Council (N.E.C.) and the Singapore Manufacturers' Association (S.M.A.) (both of which primarily represented local businessmen). In 1980, the S.M.A. representative was replaced by two from the Singapore Federation of Chambers of Commerce and Industry (S.F.C.C.I.) (a loose organisation with wide representation of both local and foreign businesses). In 1981, following the merger of the S.E.F. and N.E.C. into a Singapore National Employers' Federation (S.N.E.F.), their representative in the NWC was joined by representatives from the S.F.C.C.I., the Japanese Chamber of Commerce and Industry, the American Business Council and the German Business Group. The expanded representation accorded to foreign employers reflects their increasing economic importance: see Press Statement by the N.T.U.C. Secretary-General, *Straits Times*, 21 May 1981, *Appendix 4, infra.* p. 102.

⁵¹ The relationship between the ruling political party and the N.T.U.C. was discussed by Singapore's Prime Minister on two recent occasions. See speech at N.T.U.C. May Day Campfire on 30 April 1980 (reported in *Straits Times*, 11 May 1980) and May Day Message 1980 (reported in *Straits Times*, 2 May 1980).

has helped the Government to obtain their support and co-operation for the NWC.

Labour and management have also benefited from having their leaders represented in the NWC. Their presence provides a direct opportunity to influence the national wages policy. The N.T.U.C. has also obtained other advantages from the creation of the NWC. As non-unionised workers cannot compel their employers to consider implementation of NWC recommendations,⁵² N.T.U.C. leaders have frequently warned such workers that they depend solely on their employers' generosity. The former Secretary-General of the N.T.U.C. has publicly acknowledged that the NWC has been responsible for the increase in the number of workers who are members of N.T.U.C. affiliates.⁵³ Indeed, the N.T.U.C. gained 45,919 new members in the year that the NWC was formed. Table 2 shows the consistent increase in the membership of the N.T.U.C. and its affiliated unions and in the proportion of unionised workers under its control since the NWC was formed. The management associations represented in the NWC have also increased their memberships. For example, the Singapore Employers' Federation and the National Employers' Council (which were merged into the Singapore National Employers' Federation in 1980) saw their memberships grow from 444 and 152 in 1974 to 568 and 224 in 1979 respectively.⁵⁴ The increased membership has resulted in a more prominent and influential role for these labour and management organisations and their leaders.

Year	Total No. of Unionised Employees	Membership of N.T.U.C. and Affiliated Unions	Percentage of Total Number of Unionised Employees
1971	124,350	96,227	77%
1972	166,988	142,146	85%
1973	191,481	168,090	88%
1974	203,561	187,573	92%
1975	208,561	192,856	92%
1976	221,936	207,453	93%
1977	229,056	215,383	94%
1978	236,907	224,059	95%
1979	249,710	236,699	95%

TABLE 2: GROWTH OF N.T.U.C. MEMBERSHIP 1971-79

Source: *Ministry of Labour Annual Reports, 1971-79*

Naturally, the increased power of the labour and management organisations and that of their leaders is dependent on the continued success of the NWC. They therefore have a commitment towards ensuring that NWC recommendations are effectively implemented. The Government has thus added an additional consideration to the purely economic concerns that normally dominate labour-management negotia-

⁵² Only workers represented by a trade union can take advantage of the collective bargaining or industrial arbitration processes: Industrial Relations Act, Cap. 124, ss. 16 and 31.

⁵³ Address by Mr. C.V. Devan Nair at the Fourth Biennial Delegates Conference of the Pioneer Industries Employees Union (P.I.E.U.), *Straits Times*, 23 March 1973. See also, *Straits Times*, 24 and 25 April 1973.

⁵⁴ *Ministry of Labour Annual Reports, 1974-79*.

tions. Of course, neither the organisations nor their leaders can ignore economic concerns to the extent that this will destroy their support from workers or businesses generally. They are, however, more willing to compromise some economic objectives in return for the increased power a successful NWC gives them. They will weigh the long-term benefits of the NWC as they consider how best to gain advantages for their membership.

IV. *DIRECT GOVERNMENT INVOLVEMENT*

Unlike its counterparts elsewhere, the Singapore Government has not felt inhibited from getting directly involved in labour-management negotiations. Belief in the notion of non-interference in the collective bargaining process has yielded to the active role the Government feels it must play. It has acknowledged its dependence on the managers of enterprise, both domestic and foreign, because of their vital role in Singapore's economic development. On other hand, it is dependent on the labour movement and its members to the degree that their political support is essential. Simultaneously, the Government is the central focus of power because it performs the dual functions of defining national objectives and inter-relating parochial interests through the executive authority of the state.

The Government did not think that it had discharged its responsibilities by devising a structure that maximises the possibility of labour-management agreement on a national wages policy and involving labour and management leaders in the process. It felt obliged to take more direct steps to make such agreement a reality.

(a) *Inclusion of Government Representatives in the NWC*

Labour-management negotiations are usually typified by the adversarial approach adopted by both sides. The Singapore Government acted to replace this approach, which was an obstacle to its wages policy, by including its own representatives in the NWC.

The inclusion of government representatives rendered the traditional negotiating attitudes of labour and management obsolete. It became futile for them to follow instinct, automatically adopting antagonistic attitudes towards each other, as neither wanted to provoke the wrath of the Government. This new party in their negotiations was obviously interested in the outcome; at the same time, it had no predictable bias towards either labour or management — unless obstructive tactics in negotiations prejudiced it. The immense persuasive and coercive powers at the third party's disposal were made equally obvious through the immediate physical presence of its representatives.

In the new negotiating situation, the costs of disagreement loom larger in the minds of labour and management. There is a resultant stress on reconciling conflicting positions. The adversarial approach is replaced by the use of an integrative approach in which all parties seek to identify and accept solutions which are mutually advantageous.

(b) *The Choice of Civil Servants*

The type of persons chosen by the Government to represent its interests in the NWC has also helped the Council achieve success.

Government representatives have been high-ranking career civil servants. Unlike politicians, they have no need nor wish to enhance their personal popularity with the public. They are well aware of the practical consequences of possible NWC decisions. They are more likely to be persuaded by reasoned, logical, argument than by flowery, impassioned, rhetoric from labour and management representatives. The dispassionate neutrality of these civil servants, coupled with their considerable administrative experience and authority, helps prod labour and management representatives away from empty arguments towards dealing with the issues before the NWC in a pragmatic manner.

The presence of five top civil servants in the NWC also minimizes the possibility of disputes arising with government agencies orientated towards different immediate objectives. The possibility of different organs of a bureaucratic machine working at cross-purposes is real. Lack of coordination was evidence in the United States during the guidepost era of the 1960's. The Council of Economic Advisers, primarily concerned with fighting inflation, established guideposts which complicated the use of mediation and fact-finding devices in specific disputes by other government agencies charged with maintaining labour-management peace. In the NWC, the government representatives are the permanent heads of the Ministry of Labour, the Ministry of Finance, the Economic Development Board, the Ministry of Trade and Industry⁵⁵ and the Housing and Development Board.⁵⁶ They have an intimate knowledge of the various, sometimes divergent, objectives of government agencies and the practical problems of coordination. Their presence in the NWC ensures that it does not ignore the interests of these agencies; their administrative authority within the Government ensures that these agencies do not unintentionally frustrate the NWC's work.

Perhaps the most significant contribution that the civil servants make is in the creation of new and innovative solutions for the problems before the NWC. Besides administrative expertise, they have access to a wealth of statistical information by which the viability of various alternative solutions can be assessed. Their presence permits the NWC to remit potentially explosive issues to them for expert analysis. The emotional over-tones of a broad-based "policy" decision can be avoided through the application of precise "technical" remedies. This sophistication in approach permits the NWC to fashion more suitable, and less controversial, solutions.

(c) *Setting an Example*

The Singapore Government has demonstrated that it does not expect more of the private sector than it does of the public sector. The Government has organised itself to make a greater contribution to economic stability at high employment levels in all its activities, such as in procuring goods, organising construction, utilizing stock-piles, and in the policies of regulatory agencies. It has made it a point to run all of its services on an efficiency-orientated basis.

The Government is thus in a position to cajole labour and management to follow its example by increasing the efficiency of their con-

⁵⁵ A member since the Ministry was established in 1979.

⁵⁶ Made a member in 1981.

tributions to the Singapore economy. It has also provided concrete support for the NWC. In 1972, the Government demonstrated to the private sector the need to increase wages by paying all public sector employees an additional month's salary (the thirteenth month pay) before the NWC made its wage increase recommendations for the private sector.⁵⁷ Since 1973, NWC recommendations have been made applicable to both the private and public sectors⁵⁸ and the Government has set an example by implementing the recommendations in the entire public sector.⁵⁹ In 1980, the public sector employed some 131,000 persons⁶⁰ constituting more than a tenth of Singapore's total workforce. Implementation of NWC recommendations in this segment of the workforce helps make such recommendations more acceptable to labour and management generally. Most recently, the Government has tried to win acceptability for the NWC's controversial 1980 recommendation of a 3% second tier payment for above-average performers by implementing this recommendation in the public sector. By assuming the role of a "trend-setter", the Government makes implementation of the NWC's recommendations easier.

(d) *Adding Legislative Lustre*

No wages policy can be effectively implemented by legislative *fiat* alone. Legislative support of certain aspects of such a policy may, however, help it to achieve its objectives. In Singapore, the NWC's wage increase recommendations have not been made mandatory through legislation. Legislation has however been used to lessen the inflationary effects of such increases when implemented.

In making its recommendations on wage increases, the NWC has faced a dilemma. Wages must be increased to ensure that employees retain a fair share of an expanding economic cake; neglect of their interests would ultimately cause industrial strife. Moreover, since 1979 the NWC has deliberately pursued a high wage policy in support of the economic restructuring somewhat grandiosely known as Singapore's "Second Industrial Revolution", which has the objective of shifting our industries and services to a higher technological level.⁶¹ The NWC has, however, been extremely apprehensive about the inflationary pressures that wage increases may generate. To resolve this dilemma, the NWC has needed the assistance of legislation. To reduce the inflationary effects of wage increases, a portion of such increases has not been placed at the immediate disposal of employees. Between 1972 and 1981, employees' compulsory contributions to the Central Provident Fund (the national pension savings scheme) have risen in stages from 10% to 22% of their wages.⁶² Employers' contributions to their employees' accounts have also risen from 10% to 20½% of

⁵⁷ *Straits Times*, 6 March 1972.

⁵⁸ *1973 NWC Recommendations*, April 21, 1973, para. 2.2.

⁵⁹ See: Address of the Minister for Labour to the 1973 N.T.U.C. May Day Rally, *Straits Times*, 2 May 1973; *1975 NWC Recommendations*, 6 June 1975, para. 6; Ministry of Labour Press Releases on the 1974-1978 NWC Recommendations.

⁶⁰ 78,000 are employed in the civil service and 53,100 in the various statutory boards: *Economic Survey of Singapore 1981*, Ministry of Trade and Industry.

⁶¹ 1979 NWC Recommendations, 12 June 1979, para. 1.

⁶² Central Provident Fund Act, Cap. 121 (Singapore Statutes, Rev. Ed. 1970). The contributions have been raised by way of subsidiary legislation made under s.6(7).

wages over the same period. These enforced savings can be utilised by employees to purchase public housing, shares in the national bus company and for other non-inflationary purposes.⁶³ Savings can be withdrawn when employees attain the age of fifty-five or on death.⁶⁴

A further portion of the large wage increases recommended in 1979 and 1980 has been siphoned off to the Skills Development Fund,⁶⁵ created on the recommendation of the NWC.⁶⁶ Proceeds from this Fund, which is administered by labour, management and the Government on a tripartite basis,⁶⁷ can be disbursed to employers and employees for:

- (a) the promotion, development and upgrading of skills and expertise of persons in employment;
- (b) the retraining of retrenched persons; and
- (c) the provision of financial assistance by grants, loans or otherwise for the purposes of the above-mentioned objects.⁶⁸

Sometimes, effective use of the legislative process is as important as the legislation itself. When the NWC issued its first recommendations, changes in existing legislation were needed to give effect to them. The Employment Act,⁶⁹ which sets out the basic terms and conditions of employment, needed to be amended to permit implementation of the various alternative wage increase formulas recommended by the NWC.⁷⁰ The Industrial Relations Act,⁷¹ which establishes the legal framework for collective bargaining and arbitration, had to be amended to allow the Industrial Arbitration Court to take cognisance of the NWC recommendations and to permit their incorporation into existing collective agreements and awards. Although all parties agreed that negotiations on the recommendations could commence before the necessary legislative amendments were enacted,⁷² uncertainty as to how the recommendations should be implemented in practice caused a significant number of employers and unions to delay their negotiations.⁷³ The Government decided to use the legislative process to clarify these doubts. After some parliamentary debate,⁷⁴ the proposed amendments were committed to a select committee. The committee solicited written representations from the public and took oral evidence

⁶³ S. 29(1)(g) and (i) and the regulations made thereunder. There is now before Parliament an Amendment Bill (No. 3 of 1981) to allow the purchase of home protection insurance by employees.

⁶⁴ S. 11(2) and (4).

⁶⁵ Established by the Skills Development Levy Act, No. 30 of 1979, s. 6.

⁶⁶ 1979 NWC Recommendations, 12 June 1979, para. 2.1 (c).

⁶⁷ S. 9(2).

⁶⁸ S. 8(1); see also s. 8(2).

⁶⁹ Cap. 122 (Singapore Statutes, Rev. Ed. 1970).

⁷⁰ 1972 NWC Recommendations on Bonus and 13th Month Payment System, 8 April 1972.

⁷¹ Cap. 124 (Singapore Statutes, Rev. Ed. 1970).

⁷² The agreement was reached at a meeting of NWC members and labour and management representatives with the Prime Minister and the Minister for Labour on 23 May 1972: see *Straits Times*, 24 May 1972 and *Singapore Parliamentary Debates, Official Reports*, Vol. 31, cols. 1328-1333 and Vol. 32, cols. 323-328.

⁷³ See: *Annual Report of the President of the Industrial Arbitration Court*, 1972, para. 51 and 1973, para. 45.

⁷⁴ *Singapore Parliamentary Debates, Official Reports*, Vol. 31, col. 1328-1339.

from groups representing management and labour.⁷⁵ The process helped all parties to improve their understanding of the NWC recommendations and of how they should be implemented. Both management and labour suggested some changes to the proposed amendments to give better effect to the recommendations and some of these suggestions were incorporated into the amendments eventually passed by Parliament.⁷⁶

The suggestions of management and labour incorporated into the amendments helped clarify doubts. For example, section 46B of the Employment Act, as amended, provides that the NWCs wage increase recommendations are not mandatory. If accepted by the Government,⁷⁷ they assume the status of official guidelines "intended to serve as a basis for negotiation between the employer and a trade union representing his employees." To avoid controversies over the calculations of the increases, "wages" are defined to exclude commissions, overtime pay and other allowances (as suggested by management)⁷⁸ and "bonuses" are defined to include *ex-gratia* and other payments made in the three years proceeding 1972 (as suggested by the N.T.U.C.).⁷⁹

The Government has thus displayed its willingness to use the legislative process, when necessary, to help implement the NWCs recommendations. It has however refrained from transforming the recommendations into rigid, mandatory rules. Whilst it has at its disposal powerful means to secure its objectives, it remains committed to the primary need to secure the consent of management and labour to its wages policy.

V. EFFECT OF NWC RECOMMENDATIONS ON INDIVIDUAL NEGOTIATIONS

NWC recommendations are formulated as a result of agreement by the leaders of labour, management and government. To what extent has this tripartite consensus at the national level influenced negotiations between employers and trade unions representing their employees?

⁷⁵ See: *Written Representations and Oral Evidence submitted to the Select Committee on the Employment (Amendment) Bill [Bill No. 22 of 1972] and the Industrial Relations (Amendment) Bill [Bill No. 23 of 1972]*, presented to Parliament pursuant to order made on 26 October 1972.

⁷⁶ The original amendment bills (Nos. 22 and 23 of 1972) were presented to the Second Parliament on 2 June 1972. Before the Select Committee on these bills submitted its report on them, Parliament was dissolved and the bills lapsed. In the next Parliament, revised versions of the bills (Nos. 28 and 29 of 1977) were presented, incorporating some of the suggestions made by the employers and the N.T.U.C. to the Select Committee. Parliament passed the revised bills without amendment on 3 November 1972 (as Acts Nos. 28 and 29 of 1972) and they received the President's assent on 4 December 1972. They came into force with retrospective effect from 1 July 1972.

⁷⁷ Government acceptance is indicated by press release and formal notification in the Government Gazette. For example, the 1981 recommendations were the subject of a press release on 22 May 1981 and the Employment (Recommendation for Annual Wage Increases) Notification, 1981, No. S189, made on 6 June 1981. See *Appendix 3, infra*, p. 100.

⁷⁸ See s. 46B(1) and *supra.*, n. 75, written representation at p. A9 and oral evidence at cols. 2-6. S. 46B is now re-numbered as s. 49 in the reprint of the Employment Act issued on 28 February 1981.

⁷⁹ See s. 46B(2) and *supra.*, n. 75, written representation at p. A17 and oral evidence at cols. 33-35.

The recommendations of the NWC were not meant to reduce the heed for negotiations. From the beginning, the NWC has maintained in relation to its recommended annual wage increases that:

[t]he existence of the national guideline, however, is not intended to preclude labour or the unions from negotiating for a wage increase of more than (the guideline), nor is it intended to preclude employers from paying a wage increase of less ... in special circumstances or for special categories of workers.⁸⁰

In 1977, the NWC reiterated that its recommendations,

... as in the past five years, are guidelines. They are intended to serve as a basis for negotiation. Employers and employees or their unions, therefore, by mutual agreement are free to depart in either direction from the recommended guideline.⁸¹

The function of the wage increase recommendations is to promote meaningful negotiations between industrial parties by focusing attention on a generally reasonable level of wage increases. This makes "blue-sky" bargaining by labour or management less likely as there is a fair standard by which offers and counter-offers can be judged. Like diplomats who work on a draft treaty using a single negotiating text, labour and management negotiators find the unbiased, neutral NWC guidelines a useful basis for negotiations.

The existence of the NWC wage increase guidelines has helped industrial parties reach voluntary agreement as a result of collective bargaining.⁸² Section 24(1) of the Industrial Relations Act⁸³ requires all parties who reach a collective agreement at the conclusion of collective bargaining to submit a written memorandum of its terms to the Registrar of the Industrial Arbitration Court. The Court may, at its discretion,⁸⁴ certify the memorandum. The effect of certification is to deem the collective agreement reached by the parties an award

⁸⁰ 1972 NWC Recommendations, 24 April 1972, para. 2(iii)(d).

⁸¹ 1977 NWC Recommendations, 6 July 1977, para. 7.

⁸² The first collective agreement reached implementing the 1972 NWC recommendations was made on 13 June 1972, within two months of the recommendations being made public: *Straits Times*, 14 June 1972. The fourth such agreement was made on 16 June 1972: *Straits Times*, 17 June 1972.

⁸³ Cap. 124. Failure to comply with s. 24(1) is an offence: see sub-section (6).

⁸⁴ S. 24(2) provides:—

The Court may in its discretion—

- (a) refuse to certify a memorandum delivered under subsection (1) of this section if it is of opinion that it is not in the public interest that the collective agreement should be certified or if it is of opinion that the memorandum does not set out satisfactorily or adequately the terms of the collective agreement between the parties and shall refuse to do so if the agreement does not comply with subsection (3) of this section or section 25 of this Act; and
- (b) before certifying a memorandum delivered under subsection (1) of this section, require that such part or parts thereof shall be amended satisfactorily or adequately in any manner which the Court considers expedient to comply with the provisions of this Act or regulations made thereunder or any other written law or with any direction of the Court, and if any party to the collective agreement refuses to carry out such request the Court may, notwithstanding any other power exercisable under this Act, amend the memorandum in the manner so required before proceeding to certify the memorandum:

Provided that the Court may in its discretion afford the parties an opportunity to be heard before proceeding to amend the memorandum.

of the Court itself, giving it binding legal effect.⁸⁵ The increased number of collective agreements certified and the increased number of employees covered by such agreements⁸⁶ since 1972 has been the direct consequence of the use of the NWC guidelines. Parties have frequently resorted to the guidelines and agreed to adopt them, thereby resolving their wage negotiations.⁸⁷

Year	Collective Agreements Certified	
	No.	No. of Employees Covered
1960 (from 15-9-1960) - -	5	1,199
1961 - - - - -	116	35,070
1962 - - - - -	264	41,369
1963 - - - - -	268	21,715
1964 - - - - -	165	14,825
1965 - - - - -	196	41,467
1966 - - - - -	216	13,204
1967 - - - - -	210	15,102
1968 - - - - -	169	50,578
1969 - - - - -	146	20,595
1970 - - - - -	142	19,773
1971 - - - - -	143	14,108
1972 - - - - -	159	19,395
1973 - - - - -	211	51,870
1974 - - - - -	232	32,043
1975 - - - - -	246	54,736,
1976 - - - - -	171	20,910!
1977 - - - - -	363	76,221
1978 - - - - -	368	90,245
1979 - - - - -	417	57,138
1980 - - - - -	394	60,343
Total for 1960-1980 - -	4,601	751,906

TABLE 3: COLLECTIVE AGREEMENTS CERTIFIED BY THE INDUSTRIAL ARBITRATION COURT, 1960-1980

Source: *Annual Report of the President of the Industrial Arbitration Court, 1980*

When industrial parties are unable to reach agreement on wage increases by themselves, they frequently seek assistance from the conciliation officers of the Ministry of Labour.⁸⁸ The number of disputes involving wages and other terms and conditions of employment referred to conciliation since 1971 has risen as have the total number of unionised disputes by all causes.⁸⁹ The Ministry has nevertheless succeeded in persuading industrial parties to settle a higher proportion of all disputes since the NWC guidelines have been made.⁹⁰ The Ministry's officers have used the guidelines to settle more disputes.⁹¹

⁸⁵ S. 26. With respect to the effect of an award of the IAC on an individual's contract of employment, see: *Lindeteves-Jacoberg (Far East) Ltd. v. Singapore Manual & Mercantile Workers' Union* [1964] I.R.S. 1113 and *Singapore Bank Employees' Union v. Oversea-Chinese Banking Corporation Ltd.* [1962] G.G.S. 1507, at 1524.

⁸⁶ See Table 3.

⁸⁷ See: *Annual Report of the President of the Industrial Arbitration Court, 1973*, at para. 53.

⁸⁸ See: Industrial Relations Act, Cap. 124, ss. 21, 22 and 28.

⁸⁹ See Table 4, Cols. 3 and 4.

⁹⁰ *Ibid.*, Col. 5.

⁹¹ Talk given by the NWC Chairman, *supra.*, n. 29.

UNIONISED DISPUTES

Year	UNIONISED DISPUTES					
	<u>COLUMN 1</u> No. brought forward from previous year	<u>COLUMN 2</u> No. referred for conciliation in year	<u>COLUMN 3</u> Total No. of Disputes for conciliation	<u>COLUMN 4</u> (Total No. of employees involved) No. of Disputes involving wages and other terms and conditions of employment	<u>COLUMN 5</u> (% of Total Disputes) No. of Disputes settled after conciliation	(No. of Employees involved) (% of Total Employees involved)
1971	45	331	376	50	256	(37,213) (63.1%)
1972	91	574	665	135	474	(72,010) (84.4%)
1973	121	533	654	152	445	(66,215) (76.9%)
1974	99	652	751	201	486	(96,050) (89.1%)
1975	108	709	817	148	517	(73,182) (79.3%)
1976	157	694	851	126	538	(53,093) (78.8%)
1977	94	640	734	141	511	(60,786) (96.3%)
1978	94	548	642	87	409	(37,601) (66.2%)
1979	109	577	686	213	383	(Not Available)

TABLE 4: EFFECT OF CONCILIATION BY THE MINISTRY OF LABOUR IN UNIONISED DISPUTES, 1971-79

Source: Ministry of Labour Annual Reports, 1971-79

If a dispute between industrial parties is not resolved after conciliation by the Ministry of Labour, the dispute is referred to the Industrial Arbitration Court in the final phase of the industrial relations process. Disputes arising over the annual wage increases recommended by the NWC can be referred to arbitration by *either* party to the dispute,⁹² unlike other disputes which need a joint application by all parties to the dispute.⁹³ They can also, like all disputes, be referred to arbitration by the Government.⁹⁴ The number of cases referred to the Court, and the number of awards made by it, rose significantly after the NWC recommendations were first made in 1972.⁹⁵ This increase, however, does not mean that the recommendations have provoked disputes between parties as to wage increases. A large proportion of the cases referred to the NWC were applications to vary existing collective agreements or awards.⁹⁶ In many of these cases,⁹⁷ industrial parties had reached a voluntary agreement to implement the NWC wage increase recommendations and sought to incorporate its terms in their existing collective agreements or awards. The Industrial Arbitration Court in these cases was not asked to resolve a dispute between the parties but merely to certify an additional agreement reached between them.⁹⁸ Since the NWC was formed, most of the Court's awards have been made pursuant to such variation applications.⁹⁹

⁹² The present s. 31 (b) of the Industrial Relations Act, Cap. 124, was added by Act No. 29 of 1972 (see *supra.*, n. 76).

⁹³ S. 31 (a).

⁹⁴ S. 31(c) and (d).

⁹⁵ See Table 5, cols. 1 and 3.

⁹⁶ *Ibid.*, Col. 2. See also *Annual Report of the President of the Industrial Arbitration Court*, 1973, para. 45.

⁹⁷ There were 38 applications to vary collective agreements to include in them terms of settlement reached between industrial parties in respect of the 1972 NWC recommendations, 87 applications in respect of the 1973 recommendations, and 30 applications in respect of the 1974 recommendations (see: *Annual Report of the President of the Industrial Arbitration Court*, 1974, paras. 33-34). The applications were not necessarily made in the same year as the recommendations.

⁹⁸ See Industrial Relations Act, Cap. 124, ss. 44 and 34(2).

⁹⁹ See Table 5, Col. 5.

Year	CASES REFERRED		AWARDS MADE				
	COLUMN 1 Total No. of cases referred	COLUMN 2 No. of variation cases	(% of total)	COLUMN 3 Total No. of awards made	COLUMN 4 No. of employees covered	COLUMN 5 No. of variation awards	(% of total)
1971	44	13	(29.5%)	30	10,370	10	(33.3%)
1972	81	21	(25.9%)	29	20,616	20	(69.0%)
1973	207	135	(65.2%)	132	39,241	127	(96.2%)
1974	142	58	(40.9%)	89	20,426	69	(77.6%)
1975	137	55	(40.2%)	73	16,003	48	(65.7%)
1976	161	33	(20.5%)	57	25,373	34	(59.6%)
1977	116	22	(19.0%)	33	6,785	17	(51.5%)
1978	116	23	(19.8%)	35	6,664	18	(51.4%)
1979	156	63	(40.4%)	73	28,831	60	(82.1%)
1980	194	72	(37.1%)	94	20,806	76	(80.8%)

TABLE 5: CASES REFERRED AND AWARDS MADE BY THE INDUSTRIAL ARBITRATION COURT, 1971-80
Source: *Annual Reports of the President of the Industrial Arbitration Court, 1971-80.*

The number of actual disputes involving the NWC wage increase recommendations is comparatively small.¹ Most of these disputes arose in 1972-1974, and "were mainly brought about by the uncertainties attendant upon the new situation and the first recommendations of the Wages Council."² In subsequent years, the number of such disputes has fallen and of these, many were settled through informal conciliation by the Registrar of the Court thereby making arbitration unnecessary.³

Year	Total No. of NWC disputes referred	No. settled by Registrar	(% of Total)
1972	41	—	—
1973	12	6	(50.0%)
1974	27	20	(74.1%)
1975	13	13	(100.0%)
1976	21	11	(52.4%)
1977	12	6	(50.0%)
1978	5	4	(80.0%)
1979	20	8	(40.0%)
1980	15	12	(80.0%)

TABLE 6: DISPUTES OVER NWC RECOMMENDATIONS REFERRED TO THE INDUSTRIAL ARBITRATION COURT, 1972-80

Source: *Annual Reports of the President of the Industrial Arbitration Court, 1974-80*

Individual labour-management negotiations have therefore been significantly influenced by the NWC's recommendations. It is submitted that negotiators have heeded the recommendations because of the decisions of the Industrial Arbitration Court and concern over the Government's response if the recommendations were ignored.

The Role of the Industrial Arbitration Court

Since its creation in 1960, the Industrial Arbitration Court has played a crucial role in maintaining industrial harmony between individual employers and their employees. The Court has two main functions. The first, which accounts for the bulk of its work, is to receive and certify all collective agreements that have been concluded as a result of collective bargaining.⁴ Secondly, the Court has the responsibility of arbitrating specific disputes where negotiations and conciliation have failed. The Court's jurisdiction in arbitrating a trade dispute can be invoked by either the Government or the parties to the dispute.⁵ Awards of the Court in determining trade disputes are binding on all parties.⁶

¹ See Table 6.

² *Annual Report of the President of the Industrial Arbitration Court, 1972*, para. 50.

³ See Table 6.

⁴ *Supra.*, n. 83.

⁵ Industrial Relations Act, Cap. 124, s. 31.

⁶ *Ibid.*, s. 39. See also *Lindeteves-Jacoberg (Far East) Ltd. v. Singapore Manual & Mercantile Workers' Union* [1964] I.R.S. 1113 and *Singapore Bank Employees' Union v. Oversea-Chinese Banking Corporation Ltd.* [1962] G.G.S. 1507, at 1524.

The Industrial Arbitration Court's certification function has instilled respect for it as an institution attuned to the special problems in labour-management relations. Industrial parties prefer to abide by its decisions as defiance might entail their prosecution in the ordinary courts of laws.⁷ Its awards have seldom been defied.

The Court, from its inception, has had to consider what a fair wage for employees would be in the cases it arbitrates. It is under statutory direction:

to have regard not only to the interests of the persons immediately concerned but to the interests of the community as a whole and in particular the conditions of the economy of Singapore.⁸

This vague formulation offers the Court little guidance in determining wages in specific disputes.

In its decisions prior to the NWC recommendations, the Court tended to following existing wage patterns that it discerned from the collective agreements it certified. In *Singapore Bank Employees' Union v. Oversea-Chinese Banking Corporation Ltd.*,⁹ it had to determine the wages to be paid to different grades of employees. The Court was of the view that it should "make use of the principle of comparability as one of its yardsticks"¹⁰ but noted the limitations of this principle where "most Singapore employers paid their workmen wages which bore no relationship to the wages paid by a similar employer elsewhere on the Island."¹¹ In *Singapore Printing Employees' Union v. Straits Times Press (Malaya) Ltd.*,¹² the Court noted that different social and economic conditions greatly reduced the value of comparisons with wages paid in other countries.¹³

The Court found it extremely difficult to develop coherent and consistent wage guidelines. It proved incapable of developing any *prospective* guidelines on its own. This inability is not surprising. Awards must be made on a case-by-case basis, and the Court "can only decide what is a just and reasonable wage in the context of the case before it."¹⁴ Moreover, disputes which are sent to arbitration are likely to involve extraordinary circumstances not representative of employer-employee conditions generally. It was therefore hard to discern any trend or policy from court awards that could be used in other wage negotiations.

⁷ The Industrial Arbitration Court itself retains ample powers to enjoin compliance with its awards and has the same power to punish contempt of court as the High Court: see Industrial Relations Act, Cap. 124, ss. 55 and 56. With respect to the exercise of these powers, see *United Overseas Bank Ltd. v. Singapore Bank Employees' Union* [1968] I.R.S. 1743 and *Singapore Manual & Mercantile Workers' Union v. Keng & Sons (Pte.) Ltd.* [1972] I.R.S. 1649.

⁸ Industrial Relations Act, Cap. 124, s. 34(1)(a); before the amendment made by Act 29 of 1972, this direction constituted the whole of that section.

⁹ [1962] G.G.S. 1507,

¹⁰ *Ibid.*, at 1512.

¹¹ *Ibid.*

¹² [1962] G.G.S. 2337.

¹³ *Ibid.*, at 2347 *et seq.*

¹⁴ *Ibid.*, at 2350. The Court noted that it could not ignore the probable effects of its decisions on the economy but did not formulate any basis on which such considerations could be taken into account.

The modest and unassertive role of the Court in establishing wage patterns is not unrelated to its composition. As a neutral body with quasi-judicial functions, its members are chosen on a different basis from that used to select NWC members. The members of the Court's employer and employee panels are not the powerful leaders of labour or management organisations who sit in the NWC. They are chosen by the Minister for Labour¹⁵ because of their technical competence and familiarity with individual labour-management negotiations. It is not surprising that the Court shuns a trend-setting role for which it is unsuited.

With the existence of the NWC's recommendations, the Industrial Arbitration Court has been given specific criteria on which it can base wage decisions in its arbitration awards. The Court is directed to have regard to these recommendations in determining disputes.¹⁶ The NWC guidelines have made it possible for Court awards to reflect a consistent wage pattern. The Court's attitude to the guidelines is revealed in *Hongkong & Shanghai Banking Corporation v. Singapore Bank Employees' Union*.¹⁷ In determining the quantum of wage increase to be paid to the bank's employees, the Court held:

... it is our considered view that *the guidelines laid down by the Council should, unless conditions within the enterprise indicate otherwise, be generally adhered to.* Both the Wages Council's recommendations and the legislation which followed thereafter to give effect to these recommendations have together established that these general recommendations are national guidelines for employers and unions.... There is always the possibility of varying situations and circumstances which would dictate deviation from the general guidelines whether upwards or downwards.... *It must be accepted that the general guidelines are therefore for the Court to view and to accept, if necessary . . . or to be varied or otherwise dealt with if it was felt that the arguments raised by each party in dispute were fair and wholly supportable having regard to the circumstances surrounding the employment of the employees concerned.*¹⁸

The Court thus decided that the NWC guidelines should, in the absence of special conditions, be followed by negotiators. The onus of proving the existence of such special conditions lies with the party seeking to depart from the guidelines. The Court reserved for itself the discretion to decide whether or not the guideline should apply in a particular case.

In its subsequent awards, the Industrial Arbitration Court has consistently followed the principle laid down in the *Hongkong & Shanghai Banking Corporation* award. It has generally awarded employees the recommended wage increase if the employer's inability to pay cannot be established.¹⁹ The quantum of wage increase has been varied where the Court is satisfied that special circumstances exist. In *Singapore Manual & Mercantile Workers' Union v. Singapore American School*,²⁰ the Court had to determine whether certain locally recruited teachers and other academic staff should be paid the full

¹⁵ Industrial Relations Act, Cap. 124, s. 6.

¹⁶ *Ibid.*, s. 34(1)(b).

¹⁷ [1974] I.R.S. 751.

¹⁸ *Ibid.*, at 756-757. *Emphasis added.*

¹⁹ *Singapore Manual & Mercantile Workers' Union v. Vosper Thornycroft Pte. Ltd.* [1976] I.R.S. 699.

²⁰ [1976] I.R.S. 1737. See also *Annual Report of the President of the Industrial Arbitration Court, 1973*, para. 46.

wage increase recommended for 1974. It was of the opinion that special circumstances did exist as the employees in question enjoyed higher salaries and superior fringe benefits than those given to teachers in local schools. Full implementation of the 1974 recommendations would impose an additional financial burden on the school. The Court however decided that the recommendations be partially implemented for the employees in question to ensure that their wages were not effectively reduced by inflation.

The nature of an employee's job can also influence the Court's decision whether or not to implement the NWC's recommendations. In *Singapore Manual & Mercantile Workers' Union v. Motor Investments Berhad*,²¹ the Court held that the recommendations should be modified in their application to car salesmen as their work dictated that they be paid on a different basis than other employees.

The Court's attitude to the NWC recommendations has significantly affected individual labour-management negotiations. The negotiators know that, if they cannot resolve the issue of wages in the negotiations, the matter can easily be sent to arbitration by either side or the Government.²² They also know that the Court will probably follow the NWC-recommended wage increase guidelines unless they can convince it otherwise. Unless they are sure that their situation is special, they will therefore compromise and agree to follow the guidelines themselves, thereby avoiding arbitration. This is evidenced in the reaction to the publication of the *Hongkong & Shanghai Banking Corporation* award. 17 cases pending arbitration in 1973 were withdrawn by the parties after the award was published.²³ The Court thus promotes resolution of wage disputes at earlier stages of the industrial relations process — in collective bargaining or after conciliation.

Fear of Government Sanctions

The Singapore Government established the NWC in an attempt to provide a non-mandatory wage policy to guide labour-management negotiations. If this policy is flouted or ignored, neither labour nor management would find the Government's response palatable. A Government which already has the power to require individual negotiators to attend compulsory conciliation conferences,²⁴ to order compulsory arbitration of trade disputes,²⁵ and to restrict the right to strike or take other industrial action²⁶ might be tempted to use its parliamentary majority to attempt a legislative solution.

Use of legislation would inevitably mean a mandatory wages policy. Although such a policy might prove ineffective in the long-

²¹ [1976] I.R.S. 689.

²² Industrial Relations Act, Cap. 124, s. 31(b), (c) and (d).

²³ *Annual Report of the President of the Industrial Arbitration Court*, 1973, para. 46.

²⁴ Industrial Relations Act, Cap. 124, s. 22.

²⁵ *Ibid.*, s. 31(c) and (d).

²⁶ See: Trade Disputes Act, Cap. 128 (Singapore Statutes, Rev. Ed. 1970) especially s. 3; Trade Unions Act, Cap. 129 (Singapore Statutes, Rev. Ed. 1970) s. 28. With respect to the essential services, further restrictions are found in the Criminal Law (Temporary Provisions) Act, Cap. 112 (Singapore Statutes, Rev. Ed. 1970), Part III.

term, a Government frustrated by the failure of a non-mandatory alternative might feel inclined to take that risk. Under a mandatory system, the need for negotiation would disappear. It is little wonder that labour-management negotiators have declined to risk their own redundancy! They have thus tried to help the NWC succeed.

VI. THE NEED FOR FLEXIBILITY

The success of Singapore's present wage policy owes much to government involvement. Elsewhere, governments might reject an interventionist role in determining wage increase decisions but the Singapore Government could not afford to adopt such a *laissez-faire* approach. The policy's continued success, however, depends ultimately on labour and management sharing responsibility for it. Government involvement may weaken that sense of responsibility. There must be a balancing of priorities between the immediate need to ensure the attainment of objectives (which justifies government involvement) and the eventual aim of encouraging labour and management to solve their own problems. It is submitted that the NWC's role will have to change to reflect an increasing dependence on labour and management responsibility.

Continued economic prosperity makes it hard for the Government alone to persuade Singaporeans that orderly wage increases linked to productivity growth are essential. The large wage increases recommended by the NWC in 1979-81 to support the economic restructuring of our industries to a higher technological level have given employees higher expectations. As the effects of past high unemployment recedes from the memories of both employers and employees, neither group may be willing to compromise their expectations by adhering strictly to any wage guideline.

A look at the situation in Holland between 1946 and 1961 illustrates the problem in Singapore. The Dutch nation was the first in Western Europe to initiate a guided wage increase system, linked to an overall national economic master plan. Their experience reveals the fact that a major crisis can provide the support needed for a stringent wage policy. Holland had suffered severe economic dislocations in the war years; there was a need to hold down real incomes to facilitate reconstruction. Mutual confidence between Dutch labour and management leaders, nurtured in the wartime underground resistance movement, coupled with the grave economic situation, permitted a strict wage control system to be imposed in the first fifteen years after World War Two. The system ran into difficulties when the economy, because of the strict wage control policy, recovered. High demand situations arose as a tight labour market developed. The crisis was over. Soon the consensus behind the wage policy collapsed. Wage guidelines were flouted. The Dutch were unable to prevent an inflationary spiral occurring. They abandoned the wage control policy that had served them so well. Although other means of wage control have been tried in Holland since then, none have proved as effective as the system destroyed in the early 1960s by its very success.

If Singapore is to avoid a similar experience, it must ensure that the consensus behind its wages policy does not evaporate. It is sub-

mitted that this should be done by emphasising the responsibilities of labour and management, particularly the responsibilities of their leaders. This can be done through increasing the flexibility of the NWC's guidelines. A step in this direction was taken in the 1981 recommendations. Instead of the usual flat percentage guideline for wage increases, the NWC recommended a 4% range for such increases.²⁷ It also omitted to recommend, as it had since 1976, that departures from its guidelines be justified by "exceptional circumstances". The N.T.U.C. has already responded to these changes by assuming greater responsibility over individual negotiations conducted by its affiliated unions. It has issued its own detailed guidelines on the NWC recommendations.²⁸

The recommendation of flexible guidelines ensures that individual negotiations retain their importance. It reminds both labour and management that their welfare in each negotiation depends on the economic vitality of the particular business entity. It also provides a useful safeguard against unnecessary burdens. The very success of the wage guidelines cultivates the danger that too much will be expected of the NWC. It might be argued that individual negotiations should be eliminated, replacing them with an across-the-board application of the guidelines to all employers and employees. Indeed, a source within the NWC was reported to have said that "... the purpose of the guidelines for wage increases this year is to reduce the need for negotiations to a minimum."²⁹

It is submitted that such sentiments are erroneous. If any attempt were made to replace negotiated wage increases with a uniform rate of NWC-recommended increases, the whole system would collapse overnight. The NWC guidelines, as the term implies, are meant to narrow the focus of bargainable issues in negotiations. They were never meant to replace negotiations.

The whole scheme of Singapore's national wages policy shows a constant emphasis on flexibility: in formulating the NWC recommendations, and in their implementation. Rigidity, as would result from the elimination of negotiations between individual employers and employees, would increase the pressures placed upon the system. The vital consensus behind the wages policy would disappear without the escape valve that such individual negotiations provide. Another factor that supporters for a hard and fast application of NWC guidelines ignore is that such application would largely eliminate the importance of the labour and management organisations. This would never be permitted by these organisations and their leaders — whose cooperation is vital to the present wages policy. They might prefer to destroy the system than help make themselves redundant. Withdrawal of labour and management support would leave only the Government involved in the national wage policy. As concluded earlier, the Government cannot make such a policy work by itself.

²⁷ The 1981 wage increase guideline is \$32+(6% to 10%) with full offsetting. An additional 2% is recommended for meritorious performers. See: *1981 NWC Recommendations*, 13 May 1981, para. 4.

²⁸ See *Appendix 4, infra*, p. 102.

²⁹ *Straits Times*, 1 May 1972.

Thus, it is important that the inherent limitations of the national wages policy are recognized. It should respond to changing conditions and avoid bearing burdens it was not designed to carry. Its success should not lead Singaporeans to expect too much from it. Nor should such success blind them to the mechanics by which it operates.

VII. CONCLUSION

It is important for Singaporeans to remain conscious of the basic reasons behind the success of their national wages policy. Such success did not occur by accident or through good fortune; it was the result of careful planning and consistent effort.

The Government was willing, and able, to get actively involved in building a new structure to combat a serious problem. It was alert to the practical considerations that motivated labour and management (and their leaders) and obtained their support for the policy.

The new structure itself was fundamentally sound. It reflected the realities of labour-management relations better than traditional negotiating structures. By directly involving civil servants, new influences were included to encourage pragmatism in negotiations and new sources of expertise were tapped to resolve difficulties.

The new policy was skillfully implemented. An established and respected institution, the Industrial Arbitration Court, was used to support free collective bargaining by labour and management. The Court, the negotiators and conciliators from the Ministry of Labour were given a guideline to help focus negotiations. At the same time, sufficient flexibility was built into the system to permit the policy to bend before forces which would otherwise have swept it away. A delicate balance was maintained between the need to ensure the policy's immediate success and the need to encourage maturity in labour and management to secure its long-term success.

What has been summarised in the preceding three paragraphs outlines the reasons for the national wages policy's success in the recent past. Singaporeans must remain intimately familiar with the various mechanisms used, and the reasons motivating their use, if the policy is to have any chance of continued viability. They must guard against the temptation of thinking that the system will run itself. They must realise its limits even as they try to improve it.

A Caveat as to the Future

Singapore's National Wages Council does not exist in a vacuum nor do the participants in its industrial relations act without regard to their environment. The NWC's influence on industrial relations is unique, not only because of the particular combination of characteristics that have been mentioned, but also because of the particular problems that it has to cope with.

Among these problems is the legacy of 12% unemployment in the 1960s; the current near full employment situation and the need to restructure the economy if further economic prosperity is to be sustained; the threat of opposition from the extreme left through con-

stitutional and extra-constitutional means, perhaps only temporarily less effective; and the constantly threatening international situation coupled with the uncertainties caused by repeated increases in oil prices. That is a substantial list of problems and uncertainties facing a small developing nation of less than three million inhabitants. It must also be remembered that peace has not always prevailed in the industrial relations scene in Singapore, and its participants have yet to reach full maturity in dealing with problems.

Should changes occur in the future, the NWC must respond to them. The present wage policy system works in today's Singapore. Just as flexibility in the system helps its successful operation, there must be flexibility in its participants' attitude towards it. It may be that a new ethos in industrial relations may necessitate substantial changes in the system; it might even have to be abandoned.

Some have already called for the demise of the NWC.³⁰ Such sentiments are premature and the NWC retains a significant, if changing, role in Singapore's industrial relations. However, the search for alternative approaches must continue even as the present wage policy system is maintained — it need not be forever sacrosanct.

KIM SEAH TECK KIM *

³⁰ See *Straits Times*, 20 May 1981 and *New Nation*, 21 May 1981.

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APPENDIX 1

ADDRESS BY THE THEN MINISTER FOR LABOUR,
MR. ONG PANG BOON,
AT THE NTUC MAY DAY RALLY, 1972

Heavy unemployment was the dominant economic problem confronting Singapore in the 1960's. Faced with oppressive unemployment, the Government established its priorities and focussed attention on employment creation. Much of the energy and effort of the Government in the economic sphere was expended in trying to create enough job opportunities so as to reduce unemployment and the humiliation, despair and misery suffered by the jobless worker and his family. For a number of years unemployment appeared an intractable problem incapable of solution. The manufacturing sector was supposed to bear the brunt of employment creation. By the end of 1966, unemployment had risen to 70,000, representing more than 10 per cent of the labour force. In addition, jobs had to be found for another 25,000 school-leavers entering the labour market annually. Of lesser importance then was the issue of wage increases of workers who were fortunate enough to have jobs.

Today, unemployment afflicts our workers only marginally. Our present state of near full employment would not have been possible without the formulation of sound policies by the Government, the positive response of most workers to those policies, and the discipline and diligence of our workers at their work places. Far from unemployment being a major problem, we are currently experiencing shortages of technical and skilled manpower in some industries, and we offer employment opportunities to persons from beyond our shores.

Under the changed circumstances, new priorities emerge. In this decade, greater attention will be placed on raising standards of education, training and skills, increasing productivity and better wages. The incomes of our workers must rise in the 1970's, but wage increases must be orderly and rational, with proper emphasis given not only to short-term benefits but also long-term gains. If wage demands are exorbitant and pursued irresponsibly, and investors fear for a wage explosion, then they are not likely to invest in Singapore. And if investment, the lubricant of economic growth dries up, then the scourge of unemployment could once again descend on us.

On the other hand, economic development which benefits only a few is, at best, a short-term phenomenon and can generate intolerable social tensions. The benefits of economic growth must be spread to the broad base of the populace through higher earnings and improved social services and amenities.

The National Wages Council, a tripartite body comprising representatives from labour, management and the Government, has made certain recommendations on bonuses and wage guidelines, I am pleased to announce that the agreed recommendations of the Council have been accepted by the Government. Since the details of the recommendations were made public a few days ago, I shall not go into the details on this occasion. Instead, I shall focus on some aspects of these recommendations.

In essence, the Wages Council recommends for the private sector conversion of existing bonuses into a thirteenth month payment supplemented by *either* a negotiable bonus *or* annual wage increases. Where a bonus, inclusive of an *ex gratia* payment, of one month's pay or more had been paid in respect of the last three annual bonuses, the thirteenth month payment shall be the average for the last three years, or the last year's bonus, whichever is higher, but not exceeding three months. The thirteenth month payment then is roughly equivalent of what many workers had been receiving in recent years.

Where a bonus of less than one month's pay had been paid in respect of the last three annual bonuses, the thirteen month payment shall be one month's pay. And where no bonus had been paid previously, a thirteenth month payment shall be introduced equivalent to two weeks' pay and subsequently raised to one month's pay the following year.

Some employers prefer the bonus system, not least because they are accustomed to it and bonuses are easy to compute. Other employers, existing and potential, are, for various reasons, not in favour of the system. They consider bonuses an inefficient mode of remuneration and capable of injecting a high degree of variability to their labour cost. For some investors the system may be sufficiently a disincentive which may hold them back from going ahead with projects in Singapore.

Recognising the divergency of views, employers are now given an option. In addition to the thirteenth month payment, an employer can now opt for *either* bonuses *or* annual wage adjustments. If he opts for bonuses, the bonus shall be negotiable up to a maximum of three month's wages. Moreover, under the bonus option, the duration of collective agreements shall be three years. If an employer opts for annual wage adjustments, such adjustments shall take into account the wage guidelines set by the Wages Council. Under the wage option, the duration of collective agreements shall be two to three years.

The Wages Council has also recommended certain wage guidelines for the private sector for this year. Broadly, the Wages Council recommends for 1972 an eight per cent increase in the wage bill for the private sector. Where existing collective agreements contain incremental scales, the eight per cent guideline inclusive of additional two per cent CPF contributions of both employers and employees is over and beyond the annual built-in increment.

For collective agreements with operative commencing dates falling between January 1, 1972 and April 30, 1972, and with revised incremental scales, the eight per cent guideline should be reduced to six per cent inclusive of additional CPF contributions from employers and employees. There were differing views within the Wages Council as to whether this reduced rate of six per cent should also apply in respect of existing agreements concluded before January 1, 1972.

The Government has decided that the eight per cent guideline should apply in this respect and not six per cent.

This is the position for 1972 only. In subsequent years, the annual increment will be offset against the wage guideline of the Council.

The problem of income distribution has many facets. There is also a time dimension to the problem involving the distribution of income between the present and the future. It appears almost a universal, human condition that human beings undervalue and discount too heavily the future in their present-day calculations. The Government does not relish the idea of our workers being financially embarrassed on retirement because of inadequate savings. The Government would also like to see the home-owning capacity of workers raised. Considerations such as these have promoted the Government to raise the Central Provident Fund contribution rate two percentage points for both employers and employees with effect from July 1 this year. These additional contributions will come within the eight per cent wage guideline.

In accepting the recommendations of the National Wages Council, the Government would like to underline the fact that they are guidelines. They are not hard and fast rules.

The employers' representatives represent established medium and large size businesses. The unions reflect the interests of the NTUC affiliates. In arriving at the guidelines, the National Wages Council has used the bigger employers as the norm. Even within this norm, there can be wide variations between commerce and industry, and between different companies within the same category. Some will be able to meet much more than the eight per cent recommended. Others may barely be able to meet even half of it.

Variations will be even wider in the case of the smaller employers.

This is the first year of the work of the National Wages Council. Many problems and anomalies may arise out of their recommendations. They will have to be sorted out with goodwill and good sense also as guides.

The recommendations of the National Wages Council are fair to workers and employers. First, the thirteenth month payment is roughly equivalent to what workers had been receiving in recent years. Secondly, the statutory ceiling on negotiable bonuses, for employers who opt for the bonus system, will be raised from one month's to three months' pay. Thirdly, the duration of collective agreements will be reduced from the existing three to five years to two to three years. And, fourthly, for 1972, the eight per cent wage guideline will be additional to the annual increment in existing collective agreements.

These changes will increase the workers' share of the national cake. Since the workers' share will rise, it is in their interest to help increase the *size* of the cake. They can do so, through greater intensity of effort at the work place, and a reasonable and mature attitude in industrial relations.

One of the crucial factors for the considerable economic progress we have made, especially in the last five years, has been a sane and sensible worker-management relationship. The expectation that these healthy and stable conditions will continue for the foreseeable future has led to the rapid growth of investments in industry. The NTUC unions have played a constructive part in bringing about this state of affairs. All in Singapore have benefitted from this mature leadership of the NTUC unions, not least the workers of Singapore. May this leadership grow in strength as the industrial work force expands.

APPENDIX 2

1981 NATIONAL WAGES COUNCIL RECOMMENDATIONS

Released to the Press on 19 May 1981

13 May 81

Mr Lee Kuan Yew
Prime Minister
Singapore

Dear Mr Lee

1981 *NWC GUIDELINES*

1 *Corrective Wage Policy*

- 1.1 The corrective wage policy was recommended in 1979 as a part of the overall strategy to shift the economy to skill-intensive, middle technology and higher value-added industries and services. To ensure continuing success in economic restructuring, the NWC recommends that the corrective wage policy of the last two years be pursued for this year as was originally intended.
- 1.2 The NWC recognises that whilst the corrective wage policy has positive impact on the restructuring of the economy, there could be negative effects on future investments if it is prolonged unnecessarily. The corrective wage policy, therefore, will not be pursued beyond this year. From next year onwards, wage increases must come down to normal levels, although the process of economic restructuring will continue.
- 1.3 Further progress was made last year in overcoming the problems which depressed productivity. Views submitted by employers and various surveys conducted show that there is now more efficient labour utilisation and a growing consciousness and pursuit of productivity increase, product upgrading, reorganisation, mechanisation and skills upgrading. The labour market has stabilised considerably. Job-hopping is no longer as serious a problem as before. Manpower training has intensified. As at March 1981, 451 approvals for Skills Development Fund grants of nearly \$20 million had been given for the training of 11,500 workers. The response to the scheme on Interest Grants for Mechanisation started by the SDF in December 1980 has been most encouraging. Retrenchment of about 4,000 workers between July 1980 and February 1981 was relatively insignificant and posed no serious problem, as nearly all of such workers could find alternative jobs without much difficulty.
- 1.4 New manufacturing projects committed are of higher technology and greater capital intensity as shown below:

	<u>1978</u>	<u>1979</u>	<u>1980</u>
Fixed Investment Per Worker Of New Non-Petroleum Projects (\$'000) (At 1972 Prices)	25.5	32.6	55.6
Value Added Per Worker Of New Non-Petroleum Projects (\$'000) (At 1968 Prices)	16.7	20.8	26.7

- 1.5 The NWC noted that real GDP in 1980 grew by 10.2%, the highest annual increase since the 1973-74 oil crisis. The NWC also noted that more efficient labour utilisation contributed significantly to this high rate of economic growth. Growth in real productivity per employed person was 5.0% in 1980 compared to 2.6% in 1979.
- 1.6 The NWC, however, noted with some concern that the Consumer Price Index increased by 8.5% in 1980 as compared to 4.0% in 1979. Nevertheless, since June 1980, the rate of increase in the CPI has shown a declining trend. As at March 1981, the CPI was only 4.9% higher than that of the corresponding month in 1980.
- 1.7 The Ministry of Labour Survey of October 1980 showed that 93.8% of the 320,437 bargainable employees who were eligible (that is, those in continuous employment between 1 July 1979 and 30 June 1980) benefitted from the first tier guideline. However, the second tier guideline required some time in gaining acceptance as the survey showed that only 14.6% benefitted from it.
- 1.8 The unionised sector was more successful in implementing the second tier guideline. Based on a survey conducted at the end of October 1980 by NTUC of 495 establishments employing 107,426 bargainable workers, 56% had implemented the second tier guideline, 18% had concluded negotiations and were in the process of implementing the guideline and 24% were still negotiating with the unions. Only 2% did not wish to implement the second tier guideline.

2 *Performance Appraisal*

- 2.1 The NWC recognises that there are varying practices of monitoring employee performance in both the private and public sectors, according to their varying needs and situations. However, the NWC is disappointed at the absence of performance appraisal systems in some organisations which resulted in several instances of managements and unions taking the line of least resistance and awarding the 1980 NWC second tier guideline to all workers who had received their first tier payments. This defeats the NWC's intention to promote the concept and practice of higher rewards for better job performance. It must be emphasised that paying the same wage increase to all employees regardless of their contributions to group effort is inequitable, and would eventually lead to lower productivity and undermine our international competitiveness.

- 2.2 Organisations which do not have a performance appraisal system are encouraged to develop and implement such a system. They may wish to consult the National Productivity Board on the development of the system.

3 *Wage Range Guideline: The Need For Greater Flexibility*

- 3.1 Since 1972, collective bargaining for wage increases in Singapore has been conducted within the framework of an annual NWC wage increase guideline, which has not been mandatory in intent.
- 3.2 The NWC guidelines have always been formulated on the basis of a free exchange of views between representatives of employers organisations, trade union leaders and government representatives. In short, NWC guidelines have proceeded from a tripartite consensus at the highest level.
- 3.3 To allow for more flexibility in wage increase negotiations, the NWC this year recommends a guideline for a range of wage increases. It is expected that greater flexibility in collective bargaining for wage increases will be emphasised in future.
- 3.4 It must be stressed that the flexibility established in the wage range guideline will call for a recognition by both employers and trade unions that collective bargaining for wage increases must continue to be responsible and realistic. Essentially, wage increases must be related to productivity increases which are basic to enhancing the Republic's competitive edge in our export markets.
- 3.5 The NWC recognises that the wage range guideline formula may result in some unions taking advantage of those employers who already provide above average terms and conditions of employment. Trade unions should therefore refrain from exacting the maximum of the wage increases range from those who already pay good wages and contribute to higher productivity and technological innovations.

4 *Quantum (First and Second Tier)*

- 4.1 The NWC deliberated at length the views expressed in several submissions that different guidelines should be recommended for different sectors of the economy. The NWC concluded that there are distinct advantages in having only one national wage range guideline for all sectors. Different guidelines would create enormous problems of comparability and inequity between sectors. Different guidelines will also hamper our efforts in economic restructuring through the optimisation of labour utilisation in all sectors of the economy.
- 4.2 To relate more closely payment with job performance, the NWC again recommends a two-tier wage increase guideline for this year (1 July 1981 to 30 June 1982) as follows:
 - (i) \$32+(6% to 10% range) with full offsetting on a group basis

- (ii) an additional 2% of the group monthly wage bill of June 1981 (as used for the calculation of group offsetting) to be distributed among meritorious performers.

In its deliberations, the NWC noted that the Government intends to increase employees' CPF contribution by 4% to 22%.

- 4.3 Organisations that have well-established performance appraisal systems are encouraged to use the total guideline [$\$32 + (6\% + 10\%) + 2\%$] to apportion different payments to different employees or groups of employees according to individual or group performance.
- 4.4 The NWC emphasises that all wage increases must be earned and should be awarded on the basis of the individual's performance and contribution to the collective effort. As in previous years, where work performance is unsatisfactory, employees should not be given the NWC wage adjustment. Furthermore, in cases where the normal annual increments have not been given because of unsatisfactory work, the NWC wage adjustment should also not be given.

5 *Group Offsetting*

- 5.1 The principle of group offsetting introduced since 1976 is again recommended for this year. The formula for group offsetting is set out in Annex I. The amount to be offset is the increase in the total annual wage bill arising from annual increments, merit increments, collective agreement wage adjustments, prorated bonuses and annual wage supplements, and other forms of remuneration but excluding promotion increments, confirmation increments, CPF contributions by employers, overtime payments and fringe benefits.
- 5.2 The percentage wage increase as calculated in accordance with the group offsetting formula is applied to the first tier wage increase guideline as follows:
 - (a) *First Tier (where the agreed quantum is $\$32 + 6\%$)*
 - (i) Where the percentage wage increase as calculated in accordance with the formula is less than 6%, say 4%, bargainable employees will be paid the NWC wage adjustment of $\$32$ plus $(6\% - 4\%)$, or $\$32$ plus 2% of individual salaries.
 - (ii) Where the percentage wage increase is equal to 6%, bargainable employees will be paid $\$32$ plus $(6\% - 6\%)$ or $\$32$ as the NWC wage adjustment.
 - (iii) Where the percentage wage increase is greater than 6%, say 8%, bargainable employees will be paid the NWC wage adjustment of $\$32$ plus $(6\% - 8\%)$, or $\$32$ minus 2% of individual salaries. If the calculation results in a negative figure for any individual, it shall be disregarded.
 - (iv) Where the percentage wage increase is greater than the first tier guideline ($\$32 + 6\%$) for the organisation,

the excess will be offset against the second tier guideline.

(v) Examples of the above calculations are shown in Annex II (a).

(b) *First Tier (where the agreed quantum is \$32+10%)*

Examples of calculations are given in Annex II (b).

5.3 *Second Tier*

(i) The second tier NWC wage adjustment referred to in paragraph 4.2(ii) should be shared among employees who have shown different degrees of meritorious performance.

(ii) The second tier payment may be made as a one-time payment annually or at shorter intervals. It may be built into the wage structure if the employer so wishes.

(iii) Where payments of the second tier are one-time payments and not incorporated into the wage structure, the equivalent quantum of the second tier should be set aside for payment to meritorious performers in subsequent years. Those who receive the second tier payment in each year need not necessarily be those who received such a payment in the previous year.

(iv) The employer is free to apportion different payments to different groups or grades of meritorious performers in accordance with the performance incentive or other similar merit performance scheme adopted by the organisation.

5.4 The recommendations on the second tier payment in paragraph 5.3 above are intended to give more flexibility for the implementation of the second tier as well as to provide some general guideline to facilitate implementation.

5.5 The NWC places a great deal of emphasis on the importance of team work and in implementing the second tier, managers are urged to bear in mind this important consideration.

6 *Job-Hopping*

6.1 Restructuring of the economy has reduced irresponsible and frivolous job-hopping, especially among young workers.

6.2 However, to continue to discourage job-hopping, the NWC again recommends that the NWC wage adjustment should not be given to employees with less than 12 months' service, except those who are retrenched, those whose addresses are changed, those whose companies are relocated elsewhere, new entrants to the labour market and other cases mutually agreed to by both employers and employees.

7 *Job Enlargement*

7.1 The NWC noted that with increasing mechanization and re-organisation, enlargement of job functions and responsibilities

is inevitable. The NWC, therefore, recommends that job enlargement be encouraged and accepted by all concerned, and be viewed as a part of the economic restructuring process.

8 *Fringe Benefits*

8.1 To avoid the extension of fringe benefits, the NWC again recommends that when existing collective agreements are renewed, the range and quantum of fringe benefits should not be increased. However, where the job requires, fringe benefits such as shift allowances mutually and freely agreed upon between employers and employees may be provided for or enhanced. Fringe benefits which promote productivity may also be encouraged.

8.2 For collective agreements with new companies set up by new investors, the NWC recommends that moderation in the provision of fringe benefits should continue to be exercised. Such new investors should be guided by the relevant provisions of the Employment Act and are advised that they are not obliged to go beyond these provisions.

9 *Maximum of Scale*

9.1 The NWC again recommends that for this year, an employee who has reached the maximum of his pay scale shall receive the full recommended wage adjustment under paragraph 4.2(i) which shall be personal to him and without prejudicing his eligibility for the meritorious performance payment provided under paragraph 4.2(ii).

10 *Scope of Application*

10.1 As in previous years, the recommendations are applicable to all categories of employees including seamen, hourly-rated, daily-rated and weekly-rated employees, and those employees who are on piece-rates or on probation. Apprentices under full-time approved industrial training schemes may be considered for NWC adjustments at the discretion of employers.

10.2 Similarly, as in past years, the recommendations do not apply in the private sector to managerial and executive employees who have individual terms of service with their employers, except in cases where such employees are unionised and are subject to collective agreement. Neither need they apply to non-bargainable employees in the public service. Employers should bear in mind that it does not help industrial morale if non-bargainable staff enjoy disproportionate rewards.

10.3 Similarly, NWC recommendations are not intended solely for unionised employees and their employers. They are national in scope, and it must be emphasised that they are also applicable to non-unionised employees and their employers, big or small.

11 *Departures From Guidelines*

- 11.1 Similar to previous NWC wage guidelines, the 1981 guidelines are meant to serve as a basis for negotiation only. Employers and employees or their unions are free to depart in either direction from the recommended guidelines by mutual agreement. As the guidelines are only general in nature, flexibility, common-sense and goodwill in implementation, as prevailed in the past, should continue.

12 *Conciliation And Settlement*

- 12.1 Where there is disagreement in implementation, it should be referred to the Ministry of Labour for conciliation, and if unresolved, to the Industrial Arbitration Court for quick and speedy settlement.

13 *Acknowledgements*

- 13.1 The NWC thanks employer organisations, statutory boards and members of the public who submitted views on this year's NWC guidelines. The NWC wishes to record its appreciation to the Secretariat staff for their very able assistance.

We look forward to the Government accepting our recommendations.

Yours sincerely

Sgd: LIM CHONG YAH

Chairman, National Wages Council
(Professor of Economics & Head, Department of Economics & Statistics,
National University of Singapore)

MEMBERS, NATIONAL WAGES COUNCIL

Sgd: J D H NEILL

(Vice-President, Singapore National Employers' Federation)

Sgd: C V DEVAN NAIR

(President, National Trades Union Congress)

Sgd: NGIAM TONG DOW

(Permanent Secretary, Ministry of Trade and Industry)

Sgd: TOSHIHIKO KURODA

(Councillor, Japanese Chamber of Commerce & Industry, Singapore)

Sgd: LIM CHEE ONN

(Secretary-General, National Trades Union Congress)

Sgd: G E BOGAARS

(Permanent Secretary, Ministry of Finance)

Sgd: H G VAN WICKLE

(Chairman, Labour Relations Committee, American Business Council)

Sgd: G KANDASAMY

(Secretary, Industrial Affairs, National Trades Union Congress)

Sgd: HAN CHENG FONG

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Sgd: F W ALDAG

(Speaker, German Business Group)

Sgd: TAN KIN LIAN

(General Manager, INCOME Representing National Trades Union Congress)

Sgd: YEO SENG TECK

(Director, Economic Development Board Representing Chairman,
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Sgd: TAN ENG JOO

(Vice-President, Singapore Chinese Chamber of Commerce & Industry
Representing Singapore Federation of Chambers of Commerce & Industry)

Sgd: ONG YEN HER

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Sgd: LIU THAI KER

(Chief Executive Officer, Housing & Development Board)

ALTERNATE MEMBERS, NATIONAL WAGES COUNCIL

Sgd: STEPHEN C Y LEE

(Vice-President, Singapore National Employers' Federation)

Sgd: HUGHLYN F FIERCE

(Treasurer, American Business Council)

Sgd: ERIC CHEONG

(Secretary-General, Singapore Manual & Mercantile Workers' Union
Representing National Trades Union Congress)

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Sgd: H H WAETCKE

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Sgd: TAN PENG BOO

(Deputy Secretary, Ministry of Labour)

Sgd: LEE ONG PONG

(Secretary-General, Singapore Federation of Chambers of Commerce & Industry)

CC

Mr Hon Sui Sen, Minister for Finance

Mr Ong Teng Cheong, Minister for Labour

Mr Gob Chok Tong, Minister for Trade & Industry

Annex I

IMPLEMENTATION OF 1981 NWC RECOMMENDATIONS

Formula For Computing Percentage For Group Offsetting

1. The percentage wage increase for group offsetting is defined as

$$\frac{A}{B} \times 100\%$$

where A = The difference between the wage bills for June 1981 and for July 1980 in respect of all bargainable employees who were continuously on the company's payroll between 1 July 1980 and 30 June 1981

and B = The wage bill for July 1980 in respect of the above bargainable employees.

2. The monthly wage bill consists of annual increments, merit increments, collective agreement wage adjustments, one-twelfth of bonuses and annual wage supplements, and other forms of remuneration, but excludes promotion increments, confirmation increments, CPF contributions by employers, overtime payments and fringe benefits. It is only applicable to bargainable employees continuously in employment between 1 July 1980 and 30 June 1981.
3. For companies which have employees whose dates of annual increments, merit increments or collective agreement wage adjustments fall on 1 July, the formula should be slightly modified as follows:
 - (i) Add to the numerator (A) the amount of annual increments, merit increments or collective agreement wage adjustments due or paid in July 1980 to all those employees whose dates for such payments fall on 1 July.
 - (ii) Subtract from the denominator (B) the amount of annual increments, merit increments or collective agreement wage adjustments due or paid in July 1980 to all those employees whose dates for such payments fall on 1 July.

Example:

ABC COMPANY

Payment made in respect of all bargainable employees continuously on the company's payroll between 1.7.80 and 30.6.81	July 1980 (\$)	June 1981 (\$)
1. Wages (including 1972-1980 NWC increases, annual increments, merit increments, collective agreement wage adjustments and other forms of remuneration)	37,500	38,330
2. Annual increments, merit increments and collective agreement wage adjustments due or paid wef 1 July 1980	750	750
3. $\frac{1}{12}$ of bonuses or annual wage supplements paid in NWC years 1979 and 1980	3,300 $(\frac{1}{12}$ of \$39,600*)	3,200 $(\frac{1}{12}$ of \$39,840*)
4. Monthly wage bill [(1) + (3)]	40,800	41,650

*This amount excludes the bonus or annual wage supplements of those employees who had not received the full amount of bonus or annual wage supplements in the NWC years 1979 and 1980

The percentage wage increase for group offsetting for ABC Company

$$\frac{(\$41,650 - \$40,800) + \$750}{\$40,800 - \$750} \times 100\%$$

= 4.0%

Annex II(a)

Calculation of NWC Wage Adjustment
Where the Agreed Quantum for First Tier is \$32+6%

(Dollars)

Monthly Wage	NWC 1981 of \$32+6%	Assuming Group Offset of 4%		Assuming Group Offset of 6%		Assuming Group Offset of 8%	
		Amount Offset	NWC 1981 Adjustment \$32+(6%-4%) = \$32+2%	Amount Offset	NWC 1981 Adjustment \$32+(6%-6%) = \$32	Amount Offset	NWC 1981 Adjustment \$32+(6%-8%) = \$32-2%
100	38	4	34	6	32	8	30
200	44	8	36	12	32	16	28
300	50	12	38	18	32	24	26
400	56	16	40	24	32	32	24
500	62	20	42	30	32	40	22
600	68	24	44	36	32	48	20
700	74	28	46	42	32	56	18
800	80	32	48	48	32	64	16
900	86	36	50	54	32	72	14
1000	92	40	52	60	32	80	12

Annex II(b)

Calculation of NWC Wage Adjustment
Where the Agreed Quantum for First Tier is \$32 + 10%

(Dollars)

Monthly Wage	NWC 1981 of \$32+10%	Assuming Group Offset of 8%		Assuming Group Offset of 10%		Assuming Group Offset of 12%	
		Amount Offset	NWC 1981 adjustment \$32+(10% - 8%) = \$32 + 2%	Amount Offset	NWC 1981 adjustment \$32+(10% - 10%) = \$32	Amount Offset	NWC 1981 adjustment \$32+(10% - 12%) = \$32 - 2%
100	42	8	34	10	32	12	30
200	52	16	36	20	32	24	28
300	62	24	38	30	32	36	26
400	72	32	40	40	32	48	24
500	82	40	42	50	32	60	22
600	92	48	44	60	32	72	20
700	102	56	46	70	32	84	18
800	112	64	48	80	32	96	16
900	122	72	50	90	32	108	14
1000	132	80	52	100	32	120	12

APPENDIX 3

GOVERNMENT RESPONSE TO THE
1981 NWC RECOMMENDATIONS

(A) Press Release on 22 May 1981.

NWC RECOMMENDATIONS FOR 1981 NWC YEAR

The Government accepts the recommendations of the National Wages Council (NWC) for the 1981 NWC year (1 July 81 to 30 June 82) contained in its letter dated 13 May 81 to the Prime Minister. The following will therefore be the wage increase guideline for the 1981 NWC year:

- (i) \$32+(6% to 10%) range with full offsetting of certain forms of increases in remuneration on a group basis, and
- (ii) an additional 2% of the group monthly wage bill of June 81 (as used for the calculation of group offsetting) to be distributed among meritorious performers.

The range of wage increases recommended will allow for greater flexibility in wage negotiations. This is a move in the right direction as we must increasingly allow market forces greater role in the determination of wage increases. The true cost of labour is best determined by free market forces. It is the individual company together with its union and workers who should determine, through collective bargaining, the actual wage increase. The positive attitude and cooperative spirit necessary to achieve agreement in collective bargaining by the management and labour will help promote the linkage between the company and its workers. As the unions and employer organisations gain more experience, the Government believes that it will not be necessary for the NWC to set other than very broad wage guidelines in future years.

The guideline for a range of wage increases should not lead to demands on employers to pay near or at the ceiling of the range on the basis of ability to pay. Trade unions should refrain from exacting wage increase near or at the maximum of the range from those employers who already pay above average wages and contribute to higher productivity and technological innovations.

Organisations are encouraged to use the total wage increase recommended to reward their employees on the basis of their own well-established performance appraisal systems.

As planned, the corrective wage policy ends this year. From next year onwards, wage increases will come down to normal levels and will depend on productivity increases. Economic restructuring would continue.

With effect from 1 July 81, the employees' rate of CPF contribution will be raised by 4% to 22%. The employers' rate of contribution will remain at 20½%. The portion of CPF contributions which a CPF member can use for the purchase of flats and houses under the approved housing schemes and shares in the Singapore Bus Service (1978) Ltd will also be raised from 32% to 38½% with effect from 1 July 81.

It is necessary to put aside part of this year's wage increase into the CPF to curb inflation and for workers not to be spoilt in their spending habits and expectations especially with the return to normal levels of wage increases. The increase in the rate of CPF contributions and in the portion that can be used for the purchase of approved homes will assist our workers to continue to own homes despite rising construction costs.

MINISTRY OF LABOUR
22 MAY 1981

(B) Government Gazette Notification made on 6 June 1981.

No. S 189

THE EMPLOYMENT ACT,
(CHAPTER 122).

THE EMPLOYMENT (RECOMMENDATIONS FOR ANNUAL
WAGE INCREASES) NOTIFICATION, 1981.

Whereas the National Wages Council has made recommendations to the Government for wage increases for the period commencing on 1st July, 1981, and ending on 30th June, 1982, the text of which is set out in the Schedule to this Notification:

And Whereas the Government has accepted those recommendations:

Now, therefore, in exercise of the powers conferred by subsection (1) of section 49 of the Employment Act, the Minister for Labour hereby makes the following Notification:—

1. This Notification may be cited as the Employment (Recommendations for Annual Wage Increases) Notification, 1981.

2. The annual wage increases which may be granted by an employer to an employee for the period commencing on 1st July, 1981, and ending on 30th June, 1982, shall be in accordance with the recommendations of the National Wages Council as set out in the Schedule to this Notification.

3. The annual wage increases —

(a) shall be in addition to any wage increases to which an employee may be entitled under his wage scale during the period commencing on 1st July, 1981, and ending on 30th June, 1982; and

(b) shall be calculated by reference to the basic wage of an employee on 30th June, 1981, including all previous annual wage increases.

THE SCHEDULE.

RECOMMENDATIONS OF THE NATIONAL WAGES COUNCIL.

[omitted; see Appendix 2.]

Made this 6th day of June, 1981.

APPENDIX 4

LABOUR'S RESPONSE TO THE 1981
NWC RECOMMENDATIONS

- (A) Text of press statement by Mr. Lim Chee Onn,
Minister without Portfolio and NTUC Secretary-General,
20 May 1981.

*TEAMWORK AND EXCELLENCE KEY TO
QUALITATIVE GROWTH**The Guiding Principle for Progress*

OUR world is undergoing such a tremendous pace of social, political and economic change that not since the days of the industrial revolution in the nineteenth century has man's life been so threatened and at the same time appeared so full of promise.

We are living in a period of contrast and challenge.

Technology has made so rapid advances that it is mind-boggling just trying to keep up with the news on the latest discovery or innovation.

Yet millions of our fellowmen around the world are caught in the web of unemployment, poverty and despair.

On the other hand, technological progress has enhanced the quality of life in some nations at such a dramatic rate that their progress appears nothing short of miraculous.

Has fate been selective, and has it been cruel to some and generous to others?

Or does this contrast simply reflect the difference between those who lack the individual and collective will to strive and others who possess the capacity to extract the maximum benefits from every opportunity that presents itself?

We must look at the history and experience of countries that have thrived and those that have declined to find the answer to these questions.

Objectives

Culling from the many examples that exist around the world, one pre-condition for success stands out clearly.

The nations that have been most able to bring out the best in their people, get them to strive as a team towards common objectives, and ensure fair and just distribution of the fruits of labour among them have out-performed the rest.

Emulating them will be a sensible thing for us to do but the reason for doing so is even more compelling.

It is clear from the experiences of others that we must succeed in creating in Singaporeans this sense of teamwork and drive to excel if we are to survive and thrive as a nation. There is no short cut to progress.

The rapid changes that confront us and the inter-dependent world that we live in have caught us in a vicious pincer movement — between the increasing difficulty to attract higher capital investments and the need to create better-paid jobs for our workers.

As an open economy without any form of natural resources and with a limited population, we are totally dependent on foreign investments, overseas markets, and imported knowhow and technology for jobs, a better quality of life and a bright future for our people.

Competition

Unfortunately, with the gloomy economic forecast for the next few years, a high unemployment rate in the developed countries, and increasing protectionist tendencies among the major economies, markets have shrunk and investment capital has become scarce.

This situation has been worsened by the entry of many developing countries into the industrialisation scene, all of which are hungry for investment capital.

The keen competition for investments is vividly reflected by the fact that in New York alone over 130 investment promotion agencies are working flat out to attract investments to their respective countries, our EDB being amongst them.

The same situation is repeated in other major cities. It is clear that we are not alone in the quest for a better quality of life.

Over the next few years, more economies will falter, protectionism in the developed countries will intensify as their unemployment rate increases, and we will be amongst the first to feel the pressure of a tighter grip of worsening global recession and higher world inflation.

In such a dismal situation, the NWC statement that “from next year onwards wage increase must come down to normal levels” makes much more than economic sense.

It is a sense of unreserved realism that every union and indeed every Singaporean must have a liberal dose of if we are to ensure that we will continue to enjoy economic growth.

We must look for realistic and relevant solutions, and move away from practices formed out of habit and tradition.

For example, we must all learn to accept that how fast we progress in our careers or how high a wage increase each of us receives depends solely on our performances.

Wage increases do not justify themselves simply because others receive them or because we have been getting increases annually for the past many years.

If we are to adhere blindly to traditional practices without recognising their irrelevance to the present day situation, then we are done for.

Every year, we wait for the NWC recommendations with anticipation and apprehension without really giving much thought as to how the company we work in has fared or how much we have contributed to its performance.

This annual ritual has dulled our ability to see the link between productivity and wage increase.

We must rouse ourselves from the delusion that our reward is waiting for us irrespective of our performance.

Performance and reward are inextricably linked in whatever we do, whether it is in school, the work place or the community.

Hence, as workers, we must wake up to the fact that when the company which we are part of falters, then everyone in it is affected, managers and production workers alike.

On the other hand, when our enterprises expand and prosper, and more new enterprises are set up, both managers and workers stand to benefit.

The NWC in its deliberations over the past few years has recognised the need to help employers and employees to re-establish the nexus between workers and the company.

It has also accepted the fact that this will have to be gradual as established practices cannot be changed overnight.

Otherwise the cure may create more disruptions than the ailment. But the guiding principle for further progress is clear.

The Rationale for NWC Restated

Accordingly the NWC guidelines for 1980 and 1981 have been departures from the usual fare.

First, the concept of the second tier wage increase was introduced last year.

Then, this year, the NWC wage increase guideline is over a range instead of being one single percentage figure.

Before we examine the rationale and implications of these recommendations, let us step back awhile in history and recall briefly what the reasons were for setting up the NWC.

The National Wages Council, NWC as it is commonly known, was set up in 1972 on which trade unions, employers and the Government have equal representation.

It is a truly tripartite institution in that all NWC decisions are unanimously accepted by members before they are released as guidelines or recommendations.

Every year, the NWC meets at the beginning of the year to study the performance of the national economy in the previous years, the state of the investment climate and labour market, prospects of new jobs to absorb young workers joining the labour force, changes in the cost-of-living, productivity increases in the various sectors, and other related matters.

Outcome

On the basis of this study supplemented by representations from many interested parties, the NWC recommends broad guidelines to govern wage increases for the year.

It has been reiterated that the annual NWC guidelines are not mandatory.

However, in most cases, collective bargaining between unions and employers takes place within the framework they provide.

Over the years, managers, personnel officers, union leaders, industrial relations officers and workers in general have tended gradually to treat these guidelines as the most convenient compromise to agree upon whenever they found themselves getting involved in protracted negotiations over wage increases.

This outcome was not unexpected and was desirable to the extent that it produced orderly wage increases over the past nine years, since 1972.

Whenever the performance of the economy justified it, NWC guidelines exceeded the annual increments for workers provided in collective agreements, thereby enabling workers to share the fruits of their labour and economic development.

However there is one major drawback in this arrangement.

Owing to the attraction of the easy way out resorted to by both the union leaders and employers, the guidelines did not provide sufficient flexibility for negotiations as would have been the situation in normal collective bargaining.

This rigidity penalises the good and efficient employers who are already paying wages above the market rates.

Some establishments with good and skilled workers operating technologically advanced equipment are already paying relatively high wages to our skilled workers as they should be.

They have responded positively to our drive to generate higher productivity through the use of more skilled workers and better capital equipment.

These employers consequently have been penalised for having restructured their operations ahead of everyone else since the NWC recommendations are also applicable to them.

This means that efficient and enlightened employers are grouped with inefficient and poor employers who maintain their low-wage and labour intensive operations.

This inflexibility if prolonged will work against our efforts to restructure our economy and develop skill-intensive operations.

Now that our strategy to shift the economy to higher quality industries and services is making progress, we must move towards normal collective bargaining procedures where wage increases for workers in a company are determined by prevailing conditions in that establishment.

Unless we move in this direction, not only will restructuring slow down, but we may even lose the progress we have made so far.

Quite understandably, such a change will have to be gradual. Employers and unions will need time to adjust and even retrain their personnel officers and IROs.

The heavy reliance on NWC guidelines during wage negotiations for nine years has established in managements and unions a set pattern of negotiations and attitudes which must be changed to allow flexibility in collective bargaining.

Directives

There are many examples of insensitive attitudes acquired over the years which have to be eradicated if we are to attain total flexibility.

Quite a few personnel officers are known to have exhorted workers rather rudely by reading the NWC guidelines out loud to union representatives during negotiations to drive home a point.

Others quoted the speeches of political and union leaders to chide workers for not following what they consider to be directives to workers contained in these missives and did little else to manage their employees effectively.

Such personnel officers, apart from being poorly equipped for their task, are also labouring under the illusion that they can manage their workers well just by quoting to them what the NTUC or political leadership has said.

By the same token, some union branch officials and IROs have been reported to have refused to budge an inch from their position because they reckoned that their demands were fully justified by the contents of the NWC guidelines, without having sufficient sense to take into account the condition prevailing in the establishment they were negotiating with.

They have lost their capacity to negotiate and have become merely implementors of the NWC recommendations.

Our economy is more mature now compared to its state in 1972.

Our young labour force has a level of skills and education higher than ever before, and are able to work out priorities sensibly.

These favourable conditions provide an excellent opportunity for employers and employees to move towards normal collective bargaining.

The range of wage increases contained in this year's guideline is a start.

It should widen over the next few years and move towards total flexibility in step with our efforts to encourage a fundamentally different way of managing workers — away from the adversarial approach towards a cooperative one.

I must stress that flexibility and responsibility are two inseparable parts of collective bargaining.

Consequences

The rationale for flexibility is clear. The consequences for irresponsibility must equally be unequivocal.

Errant personnel officers will not be spared the wrath of the unions while adventurous IROs and unionists will find the NTUC totally unsympathetic as they face the music of public castigation before the Industrial Arbitration Court.

Indeed NTUC will join in the chastisement if any branch leader contemplates acting the hero with irresponsible and unrealistic demands.

It can be expected that every full-blooded union leader and IRO will press for the top end of the range \$32 and 6 per cent to \$32 and 10 per cent.

Similarly, personnel officers during negotiations will be unique if they did not start at the low end, if not even below it.

This is an outcome of the adversarial approach between employers and employees we inherited.

But I would expect every union leader, IRO, personnel officer and manager worthy of his title to possess the sufficient common sense and courage to arrive at a realistic figure quickly and responsibly.

There will be inevitably many exchanges. But goodwill and an understanding of common objectives must prevail.

The NTUC will have to draw up some guidelines to help unions and IROs in their negotiations.

It will not be a simple task to take into account all the conditions prevailing in an enterprise when trying to establish which end of the range of wage increase will be deemed reasonable and should be applied to it.

Wage levels in the company as compared to prevailing market rates, types of production and skills employed, productivity of the workforce, nature of the products manufactured and management style, profitability of the company and other existing schemes of payment are some of the factors that have to be considered.

Difficult though it may be, the effort to be reasonable and sensible must be made.

I am certain that common sense and goodwill will be called upon frequently to be the conciliator over the next few months as we embark on this new course.

If this conciliator does not work, then there will be many trips to the Industrial Arbitration Court.

To succeed in this drive towards flexibility, traditional fears and suspicions between employers and employees must be allayed.

Unless they have good reasons for doing so, employers must not always perceive that the union is always out to extract the maximum of wage increase notwithstanding the prevailing conditions in the factory or establishments.

On the other hand, workers should not see in every employer a blatant exploiter of labour, devoid of all human feelings.

2nd Tier NWC Wage Increase

Since so many comments have been made about the second tier NWC increase which is also a feature of this year's guidelines, the rationale for such a recommendation bears repeating.

When equal rewards for unequal contributions becomes the order of the day, this will result in a decline in effort and performance will sink to the lowest level.

This is inevitable. It is folly to delude ourselves that human nature is faultless and that every worker will give of his best despite the lack of motivation.

The second tier concept is not the final word in motivating workers.

Indeed, many companies with the full approval of unions have succeeded in motivating workers to improve their performance by introducing sensitive and sensible schemes.

Such establishments seldom if ever quibble as to whether or not they have the sole right to identify and reward their outstanding performers.

They know that they have the right and they exercise it wisely. In fact they have received the full cooperation of unions in weeding out the laggards.

Prerogative

What is irksome is that it is the company which does not have any idea of how to motivate workers that persistently decries that it has been deprived of its right to select and reward its good employees and that the union has interfered with management's responsibility.

No union will deny a management's prerogative when it is exercised with prudence and fairness.

But what unions will find unpalatable are those managers, not necessarily with the knowledge of top managements who, under the

guise of exercising their rights, discriminate against particular groups of workers.

This is not exercising one's right. This is an abuse of one's right and will not be tolerated by unions just as we would not tolerate any branch or union leader abusing his right to make unreasonable demands on workers or managements.

Many people may think that in a tight labour market such abuse is not possible. Our experience has shown that this is not so.

Not so long ago, three top union branch officials with a total of 60½ years of service in a company were retrenched.

Management claimed that the retrenchment was a result of mechanisation and computerisation.

Two of the affected workers were served retrenchment notices in their homes while they were on leave while the third received his just before he finished work on that day.

All three received one month's pay in lieu of notice with the retrenchments taking immediate effect.

Neither the workers nor their union had any early warning of this impending retrenchment.

It must be unique for this company to have achieved such rapid progress in mechanisation or computerisation that results in instant redundancies.

I suggest the company patents its restructuring process otherwise other companies may follow suit.

There was no reason for the company to distrust the cooperation of the union in any retrenchment exercise.

Unlike this company, scores of workers have been retrenched elsewhere by companies which went about their mechanisation programme systematically.

It is clear that the retrenchments in this company were definitely not as a result of mechanisation nor computerisation.

Management was just masquerading under its right to retrench to take it out on these workers.

We are not questioning the right of the management to retrench these workers but we could not understand why the company has chosen to go about it in such a strange way.

This same form of abuse could well manifest itself in a less than equitable performance appraisal system.

It is not a question of who has the right to appraise but how that right is exercised.

In fact, in cognisance of the difficulties many managements faced in adjusting their relative wage levels within their respective companies

as a result of the second tier wage increase, the unions suggested the one-time payment scheme to assist implementation.

This is an example of flexibility exercised by the unions. We do not seek to undermine anyone's rights but we do seek justice and fair play.

These changes and innovations by NWC should not be construed as any one party in the NWC relenting on economic restructuring or the wage corrective policy.

In fact the introduction of greater flexibility in collective bargaining is to encourage more companies to reorganise and restructure in order to generate higher productivity.

The composition of this year's NWC membership has been expanded to include representatives from the American, European and Japanese investors to supplement our local employers' federations and chambers of commerce.

This is as it should be, as multinationals operating in Singapore must lead the way in increasing their investments in better capital equipment.

Their participation in the NWC has enabled them to indicate the assistance our industries need to be able to restructure more effectively.

This should reassure all concerned that the NWC is itself pragmatic and flexible.

Collective Effort to Create New Era of Industrial Relations

This year's NWC recommendations is a start towards normal collective bargaining without employers and unions having to rely too heavily on NWC guidelines.

This requires a corps of managers trained and willing to manage, and IROs and union leaders sensible enough to eradicate that deeply rooted sense that a wide gap always separated those who work from those who manage.

This anachronistic attitude has often blinded both sides to their mutual interests.

The NTUC has initiated some efforts to change this attitude.

The recent NTUC Seminar on Work Excellence shows that given the will and understanding, employers and unions can act responsibly.

Seven hundred and seventy-one representatives, comprising 398 workers and 373 management staff members nominated by 161 companies participated in this seminar.

This is a clear indication that we can enter the new era of industrial relations with confidence.

We must continue with the effort of abandoning the out-moded confrontational relationship and encourage greater involvement and concern by workers in their companies' well-being and prosperity.

This applies to production workers as well as to managers.

The telling reminder to any would-be maverick will be that he will stand out like a sore thumb since we will be working as a team to overcome the problems of slower growth, declining productivity and tougher world-wide competition that is shrinking so many industries in the world.

We too will follow the way of those who have declined unless we make the collective effort to change.

(B) NTUC guidelines on NWC Recommendations 1981

1 *GENERAL*

- (i) The corrective wage policy adopted by the NWC 1979 to facilitate the restructuring of the economy is maintained in this year's NWC recommendations. The 1980 recommendations has achieved the desired effect to some extent, which resulted in more efficient use of labour, product upgrading by firms, reorganisation, mechanisation, skill upgrading, a growing awareness of the importance of productivity and the pursuit of productivity improvement.
- (ii) The real GDP in 1980 grew by 10.2% (the highest annual increase since the 1973-74 oil crisis) and real productivity per employed person almost doubled as compared to 1979 (from 2.6% in 1979 to 5% in 1980). However, it was noted that CPI increased by 8.5% in 1980 as compared to 4% in 1979.
- (iii) The survey by Ministry of Labour indicated an increases in the percentage of the number of bargainable employees directly benefitting, in varying degrees from the 1980 NWC recommendations as compared to the 1979's. It increased from 83% in 1979 to 93.8% in 1980.
- (iv) It was observed that the unionised sector was more successful in implementing the second tier. The NTUC survey (October) showed that out of 495 establishment employing 107,426 bargainable workers, 56% had implemented the second tier guidelines; 18% had concluded negotiations and were in the process of implementation; 24% still negotiating; and only 2% did not wish to implement the second tier guideline.

2 *WAGE RANGE GUIDELINE*

This year's recommendations differ from previous years recommendations, in that a range for wage adjustment is introduced. This should allow for greater flexibility in negotiations and might set a trend for future recommendations. The shift from a fixed quantum to a range of recommended increase allows greater room for the parties to bargain and arrive at a more realistic wage adjustment appropriate to the individual enterprise. It however, can also create some problems.

The main problem would be for the parties to agree on the factors and the extent to which they have to be taken into account for the purpose of arriving at a quantum of wage adjustment. Unless this is overcome, unions and employers would be talking at different wave-lengths and thereby unable to arrive at a consensus. To overcome this difficulty the following factors may be considered in your negotiations:—

1. *Wage Relativity*

If the wage level of employees within an enterprises is below that of comparable enterprises in the particular industry or sector, then it is justifiable to seek a higher wage adjustment. Conversely, if the company is already paying above the market rates, the union should refrain from exacting the maximum NWC wage adjustment. In determining the wage level, the total cost to the company of providing fringe benefits should be taken into account.

2. *Technological contents of company operations*

In cases where an enterprise has upgraded its operations or is in the process of doing so, the union could help to ease the financial burden of such an enterprise by taking a moderate approach in negotiations. On the other hand, if the company is labour intensive in its operations, chances are that it would be less viable unless it takes steps to restructure or unless its products are high value-added in contents. In such instances, the union should carefully consider whether it is in the long term interest of its members to keep the company going by accepting a lower wage adjustment than it would normally agree to.

3. *Productivity*

A fundamental principle is that all wage increases, even those recommended by NWC must be earned, or else the increases will have grave repercussions on our economy. If increases are not earned through productivity increases, the additional cost may be passed on to the consumers (local or foreign) by price increases in products and services. In such event there may not be any real increase in wages as workers (consumers) would have to pay more for the same product/service while foreign consumers may turn to cheaper products of other countries. If the company absorbs such wage increases by reducing its profits, its capacity to invest in new technology and equipment and to expand production may be reduced.

4. *Skills of workers and value-added of products I services*

In an organisation where the level of skill of its workers is relatively low and could be improved through training, the union could negotiate for a high wage adjustment to induce the company to upgrade the skill and efficiency of labour and operations. As the cost of labour increases, the company would have to compensate it through corresponding increases in efficiency of labour for its operations to remain competitive.

Unions may consider moderating their claims if an employer is prepared to provide an acceptable training scheme to upgrade the skill and future earning capacity of its workers.

5. *Growth Prospects and Investments*

Increases in wages should not unduly hamper the company's ability to exploit opportunities for growth. Thus, the union should display flexibility in the negotiations for wage adjustments. Ultimately, should a company prosper, the workers would benefit through better increases in wages and greater opportunities for promotion.

6. *General*

We emphasise that the above factors should be taken as a whole and not in isolation, since the factors themselves are interdependent of one another. The impact of the final settlement on the company's competitive position should also be borne in mind.

In this context your attention is drawn to a situation of a company registering high profits. The principle adopted by the (Industrial Arbitration Court) is that capacity to pay is itself not sufficient to justify unions claim for higher benefits, as profits may have accrued to the company independent of the efforts of the workers. Thus, in such a situation you must not base your claims on NWC increases solely on the company's capacity to pay.

3 *SECOND TIER*

This year's NWC recommendations on the second tier differs from last year's. Basically there are two options available to the employer for implementing the second tier which are as follows:—

- (a) incorporation of the second tier into the basic wage of an employee; or
- (b) a one time payment annually or at shorter intervals not incorporated into the basic wage;

Should an employer opt for option (a) there would not be subsequent payments for second tier in future unless it is specifically recommended.

The NWC recommends that if option (b) is taken (i.e. one time payment) an equivalent quantum of the second tier should be set aside for payment to meritorious performers to be selected afresh yearly or at shorter intervals in subsequent years.

While the identification of meritorious performers is at the discretion of employers you may negotiate with the employers on the basis for selection and distribution. Eg. use of a pre-determined appraisal system.

To assist in the setting up of an appraisal scheme, we have an annexure on the main approaches for your consideration.

However, we noted that there were some problem areas in the implementation of the second tier last year. Some of the more common ones are described below:—

- (a) One of the problems in appraisal schemes where a point merit rating is used, is how to rationalise a situation where employees in one department receive higher points than another because the appraiser in the department was more liberal in awarding points than the other. A solution to this, is for the company to conduct a rating of its appraisers and adding weightages to their appraisal. The weightages can be obtained by comparing the overall mean with the mean of each appraiser.
- (b) The NWC recommends that identification of 'meritorious performers' be left solely to the discretion of the employers. This has led and will lead to some employers abusing such rights and creating dissensions among the workforce which runs counter to the rationale of the second tier.
- (c) There are companies which have their own schemes to reward the better performers and therefore would not want to complicate matters by introducing another scheme. In such cases, unions are urged, (if they find such schemes applicable) to incorporate the second tier into the existing schemes.
- (d) That whilst employers and unions accept the concept of the second tier, devising a scheme for implementation may be difficult if both parties are not committed to it or are in disagreement over the criteria or mode of the scheme.

4 GUIDELINES ON OTHER AREAS

(a) *Job-Hopping*

The NWC recommend that wage adjustment should not be given to employees with less than twelve (12) months' service except those who are retrenched, those whose addresses are changed, those whose companies are relocated elsewhere, new entrants in the labour market and other cases mutually agreed to by both employers and employees. Whilst it is acknowledged that job hoppers should not be entitled to NWC wage adjustment, unions and employers may have different views as to who is a 'job hopper'. Furthermore with an increase of 4% CPF contribution a worker who does not receive a wage adjustment may find that his take home pay is reduced. We recommend that in cases where it may be difficult to draw the line, the company may defer payments of wage adjustment until the employee completes twelve months service provided that he was employed before 1st July 1981. Thus, such employees would qualify for payments of wage adjustment on completion of one year's service, backdated to 1st July 1981.

(b) *Job Enlargement*

Unions are urged to advise its members to accept job enlargement as it would be inevitable with higher labour cost and increasing mechanisation. However, it should also be noted that job enlargement does not mean loading employees with

additional responsibility or work until they are unable to cope up with it and this should be pointed out to the employers.

(c) *Application of second tier*

In the application of the second tier, the quantum determined should be applicable only to bargainable employees. Although this may be obvious, it has to be noted that some employers have used the second tier to reward non bargainable employees who are not within the bargainable unit. If employers wish to do so, payments should not be made from the sum set aside for second tier payment.

5 CONCLUSION

The general strategy in negotiations is that there should be no reduction in take home pay after accounting for offsetting and the 4% CPF increase.

As with last year's recommendations, the NTUC would be monitoring the impact of the NWC recommendations and Unions are urged to assist in providing the data required. Unions wishing to seek clarification and assistance in regards to the guideline may do so from the NTUC-IAC.

(C) NTUC paper on the NWC Recommendations 1981 Second Tier

Introduction

The concept of higher rewards for better job performers introduced last year is again advocated by the NWC this year in its recommendations on the second tier. To allow for greater flexibility in the implementation of the second tier, the NWC has provided for one time payment annually or at shorter intervals. The alternative is to incorporate it into the basic wage of an employee.

General guidelines are also provided in this year's recommendations to facilitate implementation of the second tier. The guidelines allow for a number of approaches to be adopted to reward meritorious performers.

This paper lays down four main approaches for identifying the meritorious performers. In selecting that approach which would best suit the needs of a particular organisation, the following principles may prove helpful:—

- (1) That the scheme is relatively straightforward and easy to implement;
- (2) That the scheme should motivate workers towards higher productivity;
- (3) That it is relevant to the needs of the situation;
- (4) That the standards set or factors selected for assessment are fair and achievable;

- (5) That it could be easily understood by all;
- (6) That it provides for equitable distribution of 2% for meritorious performers;
- (7) That it is flexible and allows for adjustment whenever necessary; and
- (8) That it should apply only to bargainable employees.

To expedite the implementation of the second tier 2% in the NWC Recommendation, unions are urged to work with the managements to keep the assessment schemes as simple as possible. The schemes, however, should not be considered final and irreversible, but that provisions should be made for their possible refinement in future years.

APPROACH ONE

Use Existing Appraisal System

Existing performance appraisal schemes could be used to identify meritorious performers. The advantage of this is that a scheme has already been established and the distribution of the 2% can be made quite easily.

A possible disadvantage of this approach is that the present appraisal scheme, especially when it is not based on a point merit rating system, may not permit easy demarcation of employees from one group which is eligible for sharing the 2% and the other which is not. Another shortcoming is that the factors or criteria used may not be entirely relevant or practical and seeking changes here may meet with management's resistance.

APPROACH TWO

Point System

In this alternative, a point system of assessment is used. It is one of the more popular approaches. A set of performance factors is first identified. The number and types of factors so chosen would vary from company to company, and from circumstance to circumstance, depending on their relevancy, practicality and desirability. In Appendix I, we have provided a list of ten factors which are most commonly used in such assessment exercises. They are recommendations only; you are free to discard them and incorporate other factors which you feel are more relevant to the work situation of your members.

We recommend that you give a weightage to each of the factors (See Figure I). This weightage reflects the emphasis which we want to give to certain work attitudes with the view of encouraging their inculcation in the workers. Both the weightages and the factors can change with varying circumstances.

FIGURE I (ASSESSMENT FORM OF CO XYZ)

Performance Factors	A Weightage 10	B Degrees						C Points (AXB)
		0	1	2	3	4	5	
Teamwork	3				✓			9
Dependability	2				✓			6
Job Knowledge	2					✓		8
Punctuality	1.5					✓		6
Attendance	1.5					✓		6
Name of Assessee: Johnny Fong Total Points Scored(D)								35

Each factor is scored against a scale of 6 from 0 to 5. The points scored in each factor is thus the sum of the degree of the score (B) multiplied by the weightage (A). (See Fig I). The total points earned (D) would therefore be the combined points of all the factors.

At this stage, it has to be decided how extensively among the employee we want to spread the 2%. This will determine the value per point of those eligible, and thus the amount of wage increase under the second tier 2% they will each get. The period of payments will also have to be decided, that is, on a quarterly, half-yearly or yearly basis.

Taking the example of Company XYZ further, let us assume the following:

- (i) that there are 17 employees in the firm;
- (ii) that only 6 or 35% of them are eligible to share in the 2%;
- (iii) that the total number of points earned by them collectively is 300 and
- (iv) that the monetary value of the 2% amounts to \$3,600 per year.

If the payment is made on an annual basis, the value per point, therefore, is

$$\frac{\$3600}{300} = \$12/- \text{ per point}$$

Thus in figure I, the assessee will get 35 X \$12 = \$420 as his second tier payment.

If the payment is made on a half yearly basis, the value per point would be

$$\frac{\$3600}{2} \div 300 = \$6 \text{ per point}$$

and the assessee in figure I would therefore receive $35 \times \$6 = \210 as payment of second tier for the first half.

There could be a fresh assessment in the next half year to determine who shall qualify for the 2nd tier payment. The number of qualifiers would remain the same as the first half year or it could be different. Union and management will have to decide which is preferable.

The advantages of this scheme are:

- a) It is easily adaptable to suit different economic sectors since the list of factors can be varied.
- b) It is flexible in that the factors and the weightages can be changed as and when necessary to suit varying circumstances.
- c) It is easy to operate.
- d) It is straightforward and simple for members to understand and
- e) It allows assessments and payments to be made quarterly, half-yearly or annually as required.

APPROACH THREE

Default System

Here we begin by giving every employee a certain quantum of points. They will then be assessed against a set of factors which are expressed in terms of offences, like failure to observe certain rules, or undertaking activities which are contrary to good work behaviour, good work ethic or which work against group interest and good work ethic or productivity enhancement. Each factor carries a penalty of reduction of points. Its severity varies accordingly to the gravity of the offence or to the extent we want to curb certain undesirable working habits or practices.

For effectiveness, it is desirable that the evaluation be conducted at least twice yearly, preferably quarterly. The assessment is fairly straightforward and objective, and it is helpful if regular feedback is given to employees on their performance. The 2% could be awarded on a yearly, semi-annually or quarterly basis. The ultimate choice is dependant on expediency and practicality.

In calculating the sum to be awarded, at specific intervals — yearly, half-yearly or quarterly — an assessment is made. The scoring is then tabulated as shown in Figure II. When this is done for each every employee, they are then divided into groups based on where we want to draw the demarcation line, say at the point the top 35% of the scores from the rest. The value per point is then worked out along the same line as in Approach Two. Let us make the same

assumptions as in Approach Two. The assessee in Figure II would receive the following quantum under the second tier 2% if the payment is made semi-annually.

$$\text{Value per point} \frac{\$3600}{2} \div 300 = \$6$$

The amount therefore is $30 \times 6 = \$180$

FIGURE II (EMPLOYEE ASSESSMENT FORM OF CO. XYZ)

Period: From To

Failure to observe the following will result in demerit points		Demerit Points	Offences	Balance 50
1) Failure to report punctually to work at the start of day, & from lunch & tea breaks	F	5	—	—
	O	2	x	48
2) Leave without permission		5	—	—
3) Customers' complaints against you	F	4	—	—
	O	1	x	47
4) Poor maintenance of tools and equipments		3	x	44
5) Unauthorised use of company's properties and equipments		5	—	—
6) Poor Housekeeping		3	x	41
7) Failure to observe safety rules and regulations	F	4	x	37
	O	2	—	—
8) High rates of rejects/ reworks	F	5	—	—
	O	2	x	35
9) Unco-operativeness		3.	—	—
10) Unreasonably refusing to work overtime		2	—	—

KEY F = Frequently

O = Occasionally

Failure to observe the following will result in demerit points	Demerit Points	Offences	Balance 50
11) Shoddy personal appearances	2	x	33
12) Needs to be constantly told what to do	2	—	—
13) Uncouth behaviour with colleagues and members of the public	2	—	—
14) Frequently absent from working place	3	—	—
15) Talking frequently while working	3	x	30

Total Number of Points Left 30

The advantage of this scheme is almost identical to that of Approach Two excepting that Approach Three is more suited for small and medium sized firms where the number of workers is not too large. Otherwise, in view of the desirability of having more than one evaluation a year, the scheme can become very cumbersome.

APPROACH FOUR

This is simply a situation where companies have no performance appraisal of their own, and they are not receptive to the two schemes we are proposing in Approach Two and Approach Three. In such circumstance, we would ask these companies to submit their own proposals to share out the 2% among meritorious workers. We should be prepared to consider them on their own merits and if they are found useful, to accept them. The NTUC-IAC and the Labour Development Secretariat are more than willing to help you assess these schemes.

Conclusion

The four approaches described in this paper are by no means exhaustive, it serves only as a guide and you are free to take a different approach if it is so desired.

We recommend, however, that unions and management jointly work out the scheme for it is only when both parties agree and are sufficiently committed to ensure its fair implementation that it will succeed.

APPENDIX I

*Some Performance Factors For Assessing Work Attitudes
(Approach Two)*

<i>Factors</i>	<i>Definitions</i>
1) Punctuality	This involves reporting for work on time, breaking off for tea and coming back from it on time, and cleaning up for knock-off time only during the period specified for this purpose. Any contravention of the above should be excused only if good reasons are given.
2) Attendance	Attendance should be regular and absence from work is acceptable only if it is because of annual leave, sick leave, approved unpaid leave, and authenticated emergency leave. Absence without authorised leave is to be frowned upon.
3) Housekeeping	Workers are responsible for the cleanliness of the area immediately around his place of work, the cleanliness of his machines, including removal of chips, unwanted parts and such like, and the maintenance and serviceability of the tools and equipment.
4) Dependability	This means being able to work with the minimum of supervision and that assignments are carried out promptly, accurately and with initiative.
5) Job knowledge	This refers to the extent of a worker's knowledge of his job. It need not necessarily encompass both theoretical and practical aspects, although familiarity with both is desirable. The important criteria is that he knows enough of his job to be able to work on his own most of the time and to trouble shoot the daily problems which he encounters.
6) Quality of Work/Service	This refers to the conscientiousness of a worker towards the quality of what he does as reflected in the level of rejects, reworks, poor and shoddy finish, and in the case of a service, poor customer relations, delays in service and such like.

*Factors**Definitions*

- | | |
|--------------------------|---|
| 7) Keeness To Learn | This means the willingness of a worker to undergo training either for skill up-grading or to acquire new skills; and to take on new tasks which are related to his skills and experience. |
| 8) Safety Consciousness | This refers to a worker's conscientiousness in observing safety rules and regulations, not only pertaining to his own self safety but those of his workmates as well. |
| 9) Team Work | This refers to a worker's ability to blend his work with the rest, to work in concert with others and to relate with them on the personal level, to ensure that the progress of his work is in tandem with that of his team, and not be a drag on theirs. |
| 10) Personal Appearances | This means neatness in attire and grooming, a behaviour pattern characterised by self-confidence and poise, and a conduct which demonstrates courtesy, understanding and efficiency. |