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EMBARGOED UNTIL DELIVERY

Keynote Address by Dr Ong Chit Chung, Parliamentary Secretary, Ministry of Home Affairs and the Ministry of Labour, at the opening of the Asian Productivity Organisation's Forum for Union Leaders, organised by the Asian Productivity Organisation, National Productivity Board and NTUC on the 25 Aug 92 at 10 am in the Henderson Room, NPB Building.

Mr Nagao Yoshida
Secretary-General, Asian Productivity
Organisation;
Mr Koh Juan Kiat
Executive Director, National Productivity
Board;
Ladies and Gentlemen:

Introduction

Let me start by bidding our trade union
friends from the various Asian countries and
invited guests a warm welcome to
Singapore.

One of the key factors for our Singapore's success is that we have industrial peace and harmony. The situation is less sanguine in many other countries. For instance, falling labour power and declining union membership have gripped the industrialised countries in recent years. Unions are being confronted with the threat of job losses as a result of economic recession, technological advancement and foreign competition.

Further in many Third World countries, unions and employers have not been able to re-direct their energies after independence to economic reconstruction. They continue to

confront and oppose each other and seem unable to move away from the historical groove of adversarial relationships. At a time when trade unionism in many countries is at a crossroad, perhaps we can all share our experiences on the role and relevance of trade unions.

The Singapore Experience

In Singapore, the trade unions believe in cooperation rather than conflict, conciliation rather than industrial action. Our first priority is to expand the economic pie. This requires the combined efforts of labour, management and the Government. Labour,

management and the Government here work together as team.

In this tripartite approach, we are all on the same side of progress and economic growth. No one needs to score point on each other. This is not a zero-sum game. A gain by one is a gain for all. Much can therefore be harnessed from the positive synergistic effects of tripartite cooperation, which is the cornerstone underpinning our industrial relations system.

With political stability and industrial peace, the economy has expanded almost uninterrupted since independence. Over the

years, the three social partners, labour, management and the Government, have kept faith with one another. The trade union movement, under the leadership of the National Trades Union Congress, has involved workers actively in nation-building, working jointly with the Government and management to help generate economic growth and create prosperity for all. As a result, real wages have risen steadily year by year.

With a better standard of living and better education and training, workers are no longer concerned only with traditional issues. They have new aspirations, new

needs and new expectations. The trade union movement has responded well to these changes.

Without changing its fundamental bearing, that is, to promote economic growth and to raise the living standards of Singapore workers, the trade union movement has adjusted its sails. It has become more than just a bargaining institution. It is also a significant social institution, providing a variety of services to the working population, by way of workers' education, consumers' and producers' cooperatives, workers' financial assistance, participation in the economic management of

the country and the proper utilisation of manpower resources.

The challenge for the trade union movement in the 1990s is to work within the tripartite framework to maintain Singapore's international competitiveness. As we move up the world economic rungs, our competitors will no longer be the developing countries, but the more developed ones. Being a small open economy, our continued prosperity will depend very much on our ability to market and sell goods and services abroad, to exploit areas where we have the comparative advantage, and to carve

specialised niches in the world market.

In absolute terms, our productivity level is only about one-third that of the most productive industrialised economies. We are also lagging behind in technical skills and worker attitudes. To succeed, we need to further improve our productivity and skills level. Through tripartite efforts, we must strive to produce a new breed of Singaporean workers who are more skilled, knowledgeable and efficient. In a maturing economy, the only way workers can continue to enjoy real wage increase is to be more productive.

Another challenge for the trade union movement is to help to ensure that wage increases be kept at levels that the economy can sustain. Of immediate concern is that wage increases have exceeded productivity growth for four consecutive years as a result of a tight labour market and robust economic growth. The tripartite National Wages Council (NWC) has cautioned against further erosion of our international competitiveness through unsustainable wage increases. I urge managements and unions to work together to enhance productivity and keep wage increases within the range of productivity increases.

In the past, the trade union movement has actively supported the NWC's call to introduce flexible wage systems to link workers' rewards more closely to company and individual performance. In fact, the International Labour Organisation has in its latest "World Labour Report" said that Singapore has the most advanced flexible pay scheme in Asia. I am confident that the trade union movement will, once again, respond to the NWC's call for realistic wage expectations.

We have succeeded as a country because as a team, we have consciously made the right choices and placed national

interest above narrow sectional gains.

Learning from Japan

The industrialised nations have much to offer in terms of labour-management experiences that have helped or hindered productivity growth. In evolving our own initiatives and practices, it is therefore beneficial for us to learn from them. For us in APO, Japan, as the most successful industrialised Asian economy can provide us with key lessons.

It is no secret that Japan owes much of its economic success to its harmonious

management-labour relations. The symbiotic relationship between management and labour in Japan is well-known. According to a survey by the Japan Productivity Center, 90% of Japanese companies with labour unions, have set up joint labour-management consultation mechanisms. It is through these mechanisms that employers share information with the unions and involve them in decision making to improve the effectiveness of the organisation and the well-being of the employees.

Overcoming The Rising Yen

Co-operation between labour and

industry has been cited as a key reason behind Japan's remarkable economic growth in the late Eighties, despite the appreciation of the yen and all its ramifications.

When the yen appreciated in 1985, Japanese output, which had been growing at a rate of 11 per cent a year at the beginning of the year, totally stagnated by the end of the year. By 1986, Japan's growth was a mere 2.5 per cent. Profits at Sony and Hitachi slumped by 40 per cent and Nissan made its first loss since 1951. Many thought that Japanese competitiveness was doomed. But Japan's industry, especially the automobile industry,

acted swiftly and effectively to adapt to the new environment.

The main strategy adopted was to optimise the use of capital by minimising costs at all levels. Companies redesigned products to use half the parts normally required, reorganized production lines and processes around the just-in-time production, trained workers to their highest level of competence and co-operated with suppliers. All these were done to cut waste and inventory to a minimum and to use workers' brains as well as their brawn. This revolutionary approach came to be known as "lean production", was in fact pioneered

earlier by Toyota.

It was superior labour-management relations that enabled reforms and technological innovations to be implemented during the period. The precise synchronisation required in lean production can only be achieved through three factors. First, workers at all levels and in all departments must be able to function as a team. Second, workers must be trained such that they can contribute creatively to improving the production processes all the time. And third, workers must be motivated to want to contribute to the company. All these require one thing - harmony at the

workplace.

Let me give you an example. Consultation between labour and management is not a practice exclusive to Japan. But when an employee of Toyota thinks "us versus them", "them" is more likely to be Nissan or General Motors rather than Toyota's management. When workers know and can feel that they are part of a team, they put in their best to ensure that no bottle-necks occur. Good ideas bubble up from below at least as frequently as they come down from the top.

We will definitely want to learn from the

approaches taken by the different labour experts deputed by APO to this forum. I am sure that there is much that we can learn.

May I wish all of you a fruitful forum and an enjoyable stay in Singapore.

Thank you.

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