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SPEECH BY MR ONG PANG BOON, MINISTER FOR LABOUR, AT THE
48TH ANNUAL DINNER OF THE SINGAPORE MANUFACTURERS'
ASSOCIATION AT THE MANDARIN HOTEL ON FRIDAY,
27 JUNE 1980 AT 8.00 PM

The NWC recommendations this year re-affirm that the policy of restructuring the economy initiated last year should be pursued. Any relaxation now would negate the efforts and achievements made so far. The recommendations this year, particularly that relating to the two-tier wage increase and the call to the Government to adopt strong measures to curb job-hopping, underline the importance of making differentiation between the good, the average and the bad workers through a system of rewards and penalties. In our effort to upgrade the economy, the instrument of wages provides an important impetus to employers to change. However, it alone is insufficient. Employers need also to be motivated through a judicious dose of fiscal incentives. But what is equally important is that they must be able to exercise the flexibility to reward those who are hardworking and penalise those who do not put in the minimum expected of them.

While the atmosphere is still rife with discussions and debates on this year's guidelines, I would like to take the opportunity afforded by this occasion to touch upon two aspects of this year's recommendations. At the same time I would also like to clarify some misconception and misunderstanding of our wage policy in certain quarters.

The use of certain terms and catch phrases such as "high wage", "high technology" and "second industrial revolution" to describe our new economic policies have created in the minds of some people certain conceptions which caused them to misunderstand the intentions of our policy. The term "high wage" for instance had caused some to think that we are pushing for the wage rates of developed countries. "High technology" and "second industrial revolution" have led others to think that we are trying to telescope our development process and leap-frog in one

short step to the technological levels of the developed countries through raising our wages. While we aim and strive to reach the development status of the West we are mindful that this is a long and arduous task. What our new economic policy seeks to do is to jolt employers and workers out of whatever complacency that the achievements of the past two decades have lulled them into. It is intended to drive home the message that we cannot rest on our laurels and continue doing what we had been doing and yet hope to reach the level that the developed countries have reached.

In the 60's our economic priorities were job creation to overcome the problems of massive unemployment. The infrastructure and fiscal incentives offered then were specifically designed to meet that objective. In the 70's we diversified our economy to ensure that we do not have all our eggs in one basket. As we reached full employment in the early 70's the National Wages Council was established to ensure that wage increases would be orderly and in line with increases in productivity. We also moved away from the low wage policy of the 60's to one that reflect more closely the influences of the free market to encourage upgrading. The 1973 oil crisis and the subsequent world recession in 1974 and 1975, however, interrupted this wage policy. To protect jobs in the face of world economic uncertainty, a policy of wage restraint was adopted. In the meantime, wages in countries such as South Korea, Taiwan and Hongkong forged ahead to the extent that ours became cheap in comparison. While this policy contributed to buoyant economic conditions and attractive growth rates, in retrospect it was over cautious. Restrained wage levels enabled employers to perpetuate low value-added and labour intensive production methods. As a result, too many jobs, mainly unskilled, were created and chasing too few workers; creating labour shortages and undermining work attitudes. Foreign workers had to be imported in increasing numbers to fill the gap. Investment promotion efforts were also being hampered by the tight labour market.

The present wage policy initiated last year is intended to make wages reflect more closely the current labour market situation and to ensure that our products and services remain competitive in world export markets. It is not a policy designed to push our wage levels to those of developed countries. Rather, it is a move to spread the

backlog of wage increases that ought to have been given during the cautious period of 1975 - 1978 over the three year period stretching from 1979 - 1981. We expect next year to be the final year of the "catch up" phase of our wage policy after which our wage levels will reflect the value placed on our products in international markets. Our labour sold in the form of our products in these markets will then be neither too cheap nor too expensive. It is therefore wrong to term our present wage policy a "high wage" policy. It is probably more appropriate to call it a competitive wage policy.

As for the concern by some that our policy is an attempt to leap-frog in one short step to the technological level of the developed countries, this is a misconception. We are aware that it takes careful planning and many years of hard work to propel an economy that is essentially labour intensive and at a low technological level to that of the developed countries. What our economic policy attempts to do is to provide the impetus and the motivation to induce employers to upgrade their process of manufacturing to the next skill level. Experience has shown that employers would continue doing what they had been doing so long as there are reasonably good profits to be made. Few would venture into new and risky areas of higher skill and more efficient production unless pushed by threats of diminished profits. Very often they do not perceive threats to their operation until it is too late. Such a policy is therefore based on the recognition that we cannot continue to use labour intensive and labour inefficient processes for long in view of the growing shortages of local labour inputs and threats of keener competition from other developing countries with abundant supplies of workers at very much cheaper labour cost. Hence, in upgrading our economy we would be contented to take one step at a time to the next skill level.

I would now like to turn to two aspects of this year's NWC wage increase. Firstly, let me take the two-tier wage increase guideline. After eight years of NWC wage increases, they are increasingly being taken by workers and unions as a matter of right and of blanket application regardless of individual performance. It has reached a stage where some unions and workers expect further rewards for any additional effort made. This was never meant to be. The NWC wage increase, particularly those of recent years, were given to workers in exchange

for greater efforts. Those who do not perform up to the mark are to be denied wage adjustment altogether. Unfortunately, either due to the strength of unions or weakness of employers or both, the recommendation to deny workers with unsatisfactory work performance their NWC wage adjustment had generally never been applied except in the public sector.

It cannot be over-emphasized that if we are to succeed in our restructuring policy we must have workers with good work attitudes and who take pride in their work. The years of high economic growth and full employment have eroded work attitudes considerably to the extent that employers have to resort to paying punctuality and attendance bonus incentives just to get workers to come to work on time and to work regularly when these are expected norms of work. These issues are even the subject of collective bargaining. The attitude to work and the self-esteem which makes a German or Japanese excel in his work should be a lesson and a model for us. Singaporeans too should aim to inculcate the positive work attitudes of these workers and to take pride in seeing a job well done.

Good work attitudes and pride in work can be developed if workers know that they will be rewarded according to their performance. Good workers will be encouraged to maintain or improve their performance if they know that their efforts will be recognised through better rewards compared to those who do not put in the extra effort. It is therefore imperative that employers implement the two-tier wage increase recommendation. They should quickly establish and make acceptable the practice of rewarding workers according to their efforts. While there will be difficulties arising from the need to assess workers' job performance, these could be minimised if simple, clear and realistic criteria are adopted. Although it is management's prerogative to assess workers, I would urge them to consult unions in deciding the criteria to be used in order to minimise the industrial friction that could arise. On the other hand, I would urge unions and workers to be co-operative and positive in working with management in the implementation of this two-tier guideline.

I would now like to turn to the NWC recommendation to curb irresponsible and frivolous job-hopping by forfeiting the employer's

CPF contribution of any employee who resigns of his own accord after working for less than 12 months with an employer. Job-hopping is a multi-faceted problem contributed not only by workers and employers but also external factors such as the re-distribution of population in new housing estates. Job-hopping, however, has harmful effects on the economy as it reduces its efficiency. In the context of our new economic policy it is essential for workers to acquire and improve their skills. This can only be achieved if workers cultivate patience on the job. Those who job-hop frequently also do themselves an injustice as they are then unable to learn the necessary skills to command better wages.

Forfeiting the employer's CPF contribution of job-hoppers however represents a radical departure from the objectives of the CPF apart from its far-reaching implications. The CPF was set up primarily to provide for compulsory savings for workers' old age. It is also a source of financial protection for a worker's family in the event of his death. It has since also been used to help workers acquire a home. As it is basically a provision for the social security of workers and their families, it is a matter for consideration whether CPF should be used as an instrument to penalise job-hopping. It also raises the question whether such a precedent would result in pressures to use the CPF to penalise workers for other forms of unacceptable social behaviour.

Besides these issues there are practical problems in the implementation of this recommendation. If it is to be fair to those who change jobs for good reasons it becomes necessary to differentiate between them and those who changed for non-valid reasons. For such distinctions to be made, each individual case of job change would have to be examined before the penalty is imposed. Avenues of appeals may also have to be provided. A CPF study showed that during the 18 months' period from Oct 78 to Mar 80 about 100,000 workers with less than one year's service with an employer changed their jobs. Even if the proposal results in curtailing irresponsible and frivolous job-hopping there would still be a large number of job changes for valid reasons which needs to be examined carefully to ensure that workers do not have their employers' CPF contributions forfeited unfairly. The task of examining each and every case of workers moving from one job to another is therefore enormous and the manpower and cost involved

in administration could also be prohibitive. In the light of these and other difficulties this proposal needs further study with regard to its feasibility for implementation.

Meanwhile, employers should continue to motivate workers to remain in their jobs by creating a more conducive work environment and providing them with career development opportunities. Unions, on the other hand, should help in educating workers on the harmful effects of job-hopping which hurts not only the employers, the nation but also the workers themselves.

The NWC recommendations had been implemented in the past with the minimum of fuss and industrial friction. While there were disagreements on interpretation, most were minor and were easily resolved in the spirit of tripartism. This year's recommendations, however, involved fairly radical changes from those of the past and in particular the two-tier wage increase guidelines could be a potential area of friction. I therefore urge management and unions to work closely together to implement these guidelines to avoid industrial disputes. With the experience of past years I am confident that they would do so.
