

# Singapore Government PRESS RELEASE

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SPEECH BY DR YEO NING HONG, MINISTER OF STATE FOR DEFENCE AND  
MP FOR KIM SENG, AT THE MAY DAY CAMPFIRE AT NATIONAL YOUTH TRAINING  
INSTITUTE, SOUTH BUONA VISTA ROAD ON SATURDAY, 2 MAY '81 AT 7.00 PM

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I am honoured to be here with you tonight at our May Day  
Campfire.

All workers like to have pay increases. It is a fact of  
life that we expect to get pay increases every year regardless of  
both internal and external factors. This is because all of us  
look forward to a better and higher standard of living with each  
passing year.

However, this very simple expectation of annual pay  
increases has far-reaching implications. It will be worth our  
while tonight to ponder some of its consequences. For simplicity  
of consideration, for a typical company we assume that all cost  
factors such costs of electricity, fuel, and raw materials  
involved in running a business are the same this year as they were  
a year before. Then this increase in wages arising from annual  
pay increases will result in the final cost of the product being  
higher this year than it was a year before. This higher cost can  
be passed on to the consumers who in turn because of the higher  
cost may buy less of the product. This will result in poorer  
business for the company with subsequent poor profits. Alternatively,  
this higher cost can be absorbed by the company with the product  
priced as before. This will also result in reduced profits for  
the company. Any company that goes in the direction of reduced  
profits will begin to go down the road which will end in bank-  
ruptcy for the company and unemployment for its workers. If we  
read our newspapers regularly, we know that in many countries, this  
simple chain of events occurs frequently in countless numbers of  
companies, and lots of these companies do go bankrupt and retrench  
their workers.

In reality, ..... /2.

In reality, because of high inflation overseas and because we import our fuel and other raw materials, the costs of electricity, fuel, and raw materials go up practically every year. This adds to the seriousness of the problem of annual pay increases and represents an even greater strain on the companies' health.

How then, do successful companies survive pay increases and fuel and material cost increases, and grow from strength to strength? There are many different ways of solving this problem but these many different ways can broadly be grouped into four categories:-

- 1) Companies can upgrade their products through research and development and obtain new products or new processes using raw materials with lower costs. This will result in higher profitability for the company.
- 2) Companies can search for new markets to sell larger quantities of the same products. This, too, will result in higher profits.
- 3) Companies can upgrade their equipment and machinery to enable more efficient and therefore cheaper production, thereby lowering the costs of products.
- 4) Workers in the companies can help reduce general wastage, produce the goods cheaper than before or produce higher quality products at the same costs— in short, to increase the productivity of the company.

It is in the fourth category of increased productivity that workers can play an extremely valuable role. It is also an area where union leaders can lead and make a significant contribution. Today's workers are well-educated, highly skilled, and knowledgeable. They are also technically proficient and flexible. Union leaders representing such workers can provide the interface between management and workers. They can help bring about a spirit of team work where efforts can be made to ensure that workers are continually looking for better ways to make a product with lowest possible costs, highest possible quality with minimum wastage and in the most efficient way. Workers on the job are in the best

position to know how to do this. Union leaders can provide feedback from the workers to the management and from the management to the workers. This will result in workers and management working together as a team and solutions to problems will be arrived at quickly with minimum down time, reduced wastage and increased efficiency.

Our workers today know that higher productivity and the resulting profitability are in the interests of the workers and not just in the interests of the company alone. Only a successful and profitable company would be able to pay their workers annual salary increases without the danger of going bankrupt.

In Singapore, with our economic restructuring progressing successfully over the past years, solutions in the first three categories are actively being pursued by many companies. The Government, too, has played its part. It provides incentives for the companies to engage in research and development; it encourages trade missions to non-traditional countries to seek new and larger markets; it also provides incentives towards mechanization, automation, and computerization.

Our union leaders and our workers now face a new challenge with industries employing new and sophisticated techniques of production with highly trained, skilled and professional employees. Our objective in these high technology industries should be to ensure that the highest level of productivity from our workers, our managers, and our sophisticated equipment, and enable us to solve all our problems, both technical and human. This will ensure the continual success of the companies that we work in. Then, and only then, can the expectation of regular annual pay increases become a reality without the spectre of retrenchment and unemployment hanging over our workers' heads.