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Tripartite cooperation, labour market reform and economic upturn in Singapore

Tayo Fashoyin

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Industrial
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December 2010

Tayo Fashoyin
Director,
Industrial and Employment
Relations Department

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Introduction

Social dialogue includes negotiations, consultation and information sharing, either between the bipartite parties in the workplace or industrial sector, or by the tripartite partners at the national level, on the broad issues of common interest that pertain to economic and social policy.¹ Bipartite relations and the tripartite process are mutually reinforcing. When the bipartite process functions properly, tripartite consensus on the social and economic issues has a profound impact on how it is implemented in the labour market.

The 2008 ILO Declaration on Social Justice for a Fair Globalization emphasizes that the promotion of social dialogue and the practice of tripartism between governments and the representative organizations of workers and employers within and across borders are considered to be the most appropriate method for adapting to needs and development challenges in any country.² While the primary role of social dialogue is to promote consensus building and democratic involvement among the main stakeholders in the world of work, successful social dialogue structures and processes also have the potential to resolve important economic and social issues, encourage good labour market governance, advance social and industrial peace and stability and boost economic progress. Social dialogue contributes to formulating and implementing policies on a wide range of economic and social issues, including not only labour market reform policies but also broader economic reform policies which affect labour market governance.

The current global economic crisis has re-echoed this critical role of social dialogue at all levels in policy design and implementation in order to mitigate the impact of the crisis on job losses and save jobs and livelihoods. As available evidence shows, countries with well-developed social dialogue institutions and practices have a much favourable institutional approach to in crafting effective recovery responses to the crisis.³ The ILO's Global Jobs Pact (GJP) adopted in 2009 notes that social dialogue is an invaluable mechanism for the design of policies to fit national priorities and provides a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for a sustainable recovery.⁴

This paper presents an account of the institutional framework for social dialogue and tripartite consultation in Singapore, and its contribution to labour market reforms, particularly in addressing the impact of the global crisis on jobs and livelihood in the country. It outlines the successful experience of tripartite partnership based on social dialogue, with the central goal of contributing to socio-economic development and national prosperity, including effective crisis recovery responses. The paper draws extensively from ILO sources, most especially a recent study mission to Singapore in relation to Convention on tripartite Consultation Convention No. 144 of 1976.⁵ The paper is based on the information and extensive documentation provided in a series of intensive meetings with tripartite partners and a number of other institutions in the country, as well as additional secondary sources.

¹ See Proceedings of the 276th Session of the ILO Governing Body, Nov. 1999.

² ILO website: http://www.ilo.org/global/What_we_do/Publications/Officialdocuments/lang--en/docName--WCMS_099766/index.htm.

³ *ILO reports for G20 Employment and Labour Ministers meeting - 20-21 April, Washington DC: Accelerating a job-rich recovery in G20 countries: Building on experience*, ILO, 2010. See ILO website: http://www.ilo.org/public/libdoc/jobcrisis/download/g20_report_accelerating.pdf.

⁴ See: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_115076.pdf.

⁵ ILO Study Mission on Singapore's Tripartite Framework. Prospects for Ratification of the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144). Singapore, 18–22 Jan. 2010. ILO, Geneva.

The paper is structured in four chapters. Chapter 1 provides an overview of the structure of the tripartite actors engaging in labour market governance, followed by an analysis of the functioning of tripartite social dialogue and the degree of flexibility in its operation. Concrete examples are given, with a particular focus on the National Wages Council (NWC), as the foundation for tripartite dialogue and the evolution of sound industrial relations. Chapter 2 briefly examines the progression from the earlier years of the NWC to the present day, including the changing role of the NWC and the social partners. This is followed by a snapshot of how the wage determination process through collective bargaining is regulated in Singapore. In Chapter 3 I provide the background to the role of tripartite dialogue in the strategy for addressing the various economic downturns of the period 1970-1990s. This is followed by an analysis of how this mechanism was used at both tripartite and bipartite levels in finding quick and effective solutions to the global financial crisis to save jobs. In the concluding Chapter, I provide a set of outstanding elements of the successful tripartite partnership model in Singapore, with the central goal of contributing to socio-economic development and national prosperity.

1. Tripartism and social dialogue in Singapore

1.1 Tripartite actors in industrial relations

The key protagonists in industrial relations and labour market governance in Singapore are represented at the national level by the Ministry of Manpower, the National Trade Union Congress (NTUC), and the Singapore National Employers' Federation (SNEF). The Employment Act and the Industrial Relations Act set out the minimum terms and conditions of employment and the framework of industrial relations.

Ministry of Manpower

The Ministry of Manpower (MOM) is the department of the Government of Singapore that directs the formulation and coordination, as well as implementation of policies related to labour and workplace issues. The mission of the ministry is to build a globally competitive workforce and an optimum workplace for a cohesive society and a secure economic future for all Singaporeans. The MOM is organized in accordance with three key strategic outcomes:

- i. Progressive workplaces;
- ii. Global competitiveness; and
- iii. Financial security and lifelong employability for Singaporeans.⁶

In the area of industrial relations, the Labour Relations and Workplace Division of the MOM is responsible for promoting and maintaining industrial peace and stability in Singapore through a wide range of measures, including the promotion of tripartite cooperation. In this sphere, there is also the Industrial Arbitration Court, IAC, which deals with award-making, certification and registration of collective agreements, dispute resolution, and advisory services.⁷ The IAC has a tripartite structure, in which a High Court Judge serves as its President, together with one member each from the workers' and employers' panels. The decisions of the IAC are not appealable.⁸

Traditionally, the role of the IAC in the area of industrial relations is to resolve disputes and enforce laws and regulations. Since the establishment of the NWC, however, the MOM has started to work closely with the NTUC and the SNEF to address a variety of workforce and workplace issues. As the tripartite partners have developed synergies with each other, the roles of the Government in industrial relations have also evolved beyond traditional perspectives. Today, the Ministry works closely with the tripartite partners to facilitate and coordinate the views among the three parties, as well as to identify and address employment and industrial relations issues so as to minimize conflicts with each other and promote mutual cooperation. It also promotes and implements innovative employment and human resources practices, such as flexible wages and work-life balance, in cooperation with businesses and workers.⁹

National Trades Union Congress¹⁰

The National Trades Union Congress (NTUC) is the sole national trade union centre, founded in 1961 when the Singapore Trades Union Congress (STUC), which supported the

⁶ MOM, 18 Jan. 2010; MOM website.

⁷ *ibid.*

⁸ M. Heng, p. 4.

⁹ MOM, 18 Jan. 2010.

¹⁰ NTUC, 21 Jan. 2010.

People's Action Party (PAP) in its successful drive for self-government, split into the pro-PAP NTUC and the leftist Singapore Association of Trade Unions (SATU), which collapsed in 1963. The NTUC has 60 affiliated trade unions and six affiliated associations, while five unions are not affiliated to the centre. NTUC has a membership of 530,000, which represents a union density of 18 per cent. The NTUC is internationally affiliated to the ITUC as a member of the ITUC-AP, and the ATUC. Many of the NTUC affiliates are affiliated to the GUFs.

The NTUC has three tiers of union leadership, all elected by secret ballot. Among the 530,000 members, 7,000 branch leaders are elected at the company level, while 1,200 elected executive committee members serve at union headquarters. At the national level, 21 members are elected every four years as members of the central committee. Its membership is divided into two main groups, i.e. ordinary branch members who are directly represented by unions and enjoy collective bargaining rights, and general branch members working in non-unionized companies or non-bargainable staff from unionized companies who are also given advice and whose issues are handled with the NTUC's support.

Apart from these tiers, there are 12 social enterprises and three related organizations, set up by the NTUC, which contribute to stabilizing prices, strengthening and protecting workers' purchasing power, and allowing union leaders to gain management experience so as to promote better labour/management relations.¹¹ The NTUC family provides a wide range of benefits to union members including training subsidies; scholarships and grants; free group insurance coverage and low-cost insurance; rebates, discounts and savings on products and services purchased; and social recreational benefits. The roles of unions have thus developed over the years far beyond the traditional limit of collective bargaining.

Since the NTUC adopted the principle of cooperation rather than confrontational industrial relations in 1969, in response to the Government's call, it has contributed to harmonious industrial relations. The NTUC believes that a tripartite social partnership built on trust, mutual respect and shared ideals contributes to both workers' interests and economic growth.

The NTUC is also politically influential. The relations between PAP and NTUC are considerably close. The NTUC's founder, Mr. Devan Nair, was a PAP stalwart who later served as President of Singapore. Mr. Ong Teng Cheong, the first directly elected President of Singapore, was also NTUC Secretary General. Mr. Lim Boon Heng, the previous Secretary General, is a Cabinet Minister and Chairman of the PAP, while the present Secretary General, Mr. Lim Swee Say, is equally a Cabinet Minister. As confirmed by Mr. John De Payava, President of the NTUC, this interface with the political institution makes it possible for the real voices of workers to be known and delivered to the government.¹²

Today the NTUC business endeavour operates under the slogan "cheaper, better, faster" (CBF) by which it seeks an economy that is "cheaper" through higher productivity, "better" through better capability, and "faster" through enhanced adaptability. The centre is committed to bringing this motto to a newly established Tripartite Economic Strategies Committee. Mr. Gan Kim Yong, Minister for Manpower, also showed his support for "a more inclusive workforce that will serve as an engine to sustain continued growth in a CBF economy", and he stressed that it is for all businesses and employees, not just limited to

¹¹ The NTUC social enterprises include Choice Homes Co-operative Ltd., NTUC Club, Eldercare Co-operative Ltd., Fairprice Co-operative Ltd., First Campus Co-operative Ltd., Foodfare Co-operative Ltd., NTUC Healthcare Co-operative Ltd., Income Insurance Co-operative Ltd., LearningHub Private Ltd., Link Private Ltd., Media Co-operative Ltd., and Thrift & Loan Co-operative Ltd. In addition to the e2i, the NTUC-related organizations are the Consumers Association of Singapore, the Ong Teng Cheong Labour Leadership Institute, and the Singapore Labour Foundation. For more details, see the NTUC website: <http://www.ntuc.org.sg/>

¹² NTUC, 21 Jan. 2010.

particular sectors or workers in particular age groups, in order to build a more inclusive workforce.¹³

The NTUC is also quite active in organizing different categories of workers including the so-called PMETs (professionals, managers, executives, and technicians), contract workers, older workers and youth. The NTUC's 60 affiliated unions visit companies directly so as to consolidate and expand the organizational coverage. As emphasized by the leadership of the labour centre, the expanding informal economy and other forms of employment, where the labour regulations have limited coverage or application represents a strategic challenge for labour.¹⁴ The NTUC's Unit for Contract and Casual Workers (UCCW), launched in 2006, for example, has reached out to 16,700 such workers, of whom 9,000 are UCCW members now.¹⁵

As one of its most recent initiatives, the NTUC announced in April 2010 the establishment of a Centre for Contract and Casual Workers (C3W), which is located within the Employment and Employability Institute (e2i). The C3W provides low-wage casual and contract workers with employment-related assistance, advice on work, and resources and courses to upgrade their skills.¹⁶

Singapore National Employers Federation

The Singapore National Employers Federation (SNEF) was established in 1980 through the amalgamation of two employer organizations, namely the Singapore Employers Federation (SEF) and the National Employers Council (NEC). This merger of two employers' organizations led to building up the existing national tripartite partnership among three parties. To date, the federation has a membership of 2,000 enterprises, employing approximately 540,000 workers. In Singapore, there are about 4,000 establishments with more than 50 employees, while 141,981 firms have fewer than 50 employees. Of the total member companies, more than two-thirds are non-unionized.¹⁷ Half of the firms with more than 200 employees each are SNEF members.

The SNEF's vision is to be the employers' vanguard in maintaining industrial harmony in Singapore so as to enable employers to enhance their workforce competitiveness. By so doing, the SNEF also seeks to improve the quality of working life of employees, and fulfil its obligations to shareholders, employees, and consumers. As the tripartite partnership has developed, the roles that employers play have also expanded. Its core activities now include:

- i. Training and human resources development to enhance employability and management skills;
- ii. Information sharing on the latest human resources/industrial relations developments as well as practices through regular seminars and industry group meetings;
- iii. Consultancy and advisory assistance in industrial relations and interpretation of labour law, and human resources management issues; and
- iv. Awareness raising on a variety of issues and accessibility of programmes.

As a pillar of the tripartite system, the SNEF is committed on one hand to ensure employers comply with employment laws and regulations once these are either enacted or revised through tripartite consensus, while on the other hand actively engaging in formulating tripartite guidelines in areas where employers may be allowed some flexibility

¹³ Speech by Mr. Gan Kim Yong, Minister for Manpower, STF industrial relations seminar, 16 Nov. 2009, available at MOM website: http://www.mom.gov.sg/Home/Pages/MOM_Speeches/20091116-Speech_by_Mr_Gan_Kim_Yong_at_STF_IR_Seminar_2009.html.

¹⁴ NTUC, 21 Jan. 2010.

¹⁵ *The Straits Times*, April 20, 2010

¹⁶ *ibid.*

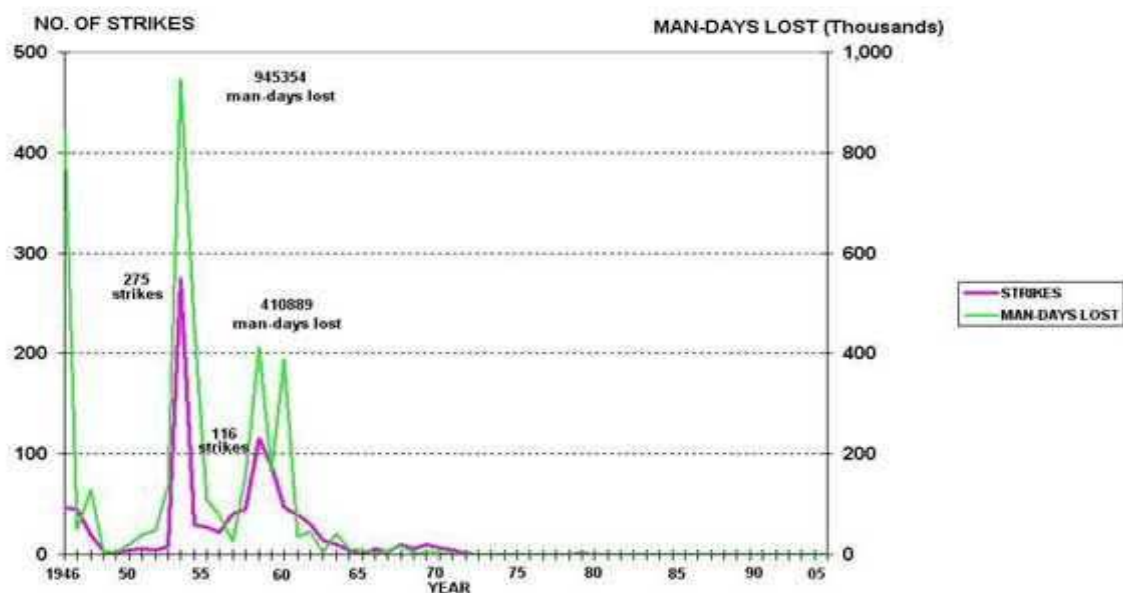
¹⁷ SNEF, p. 16.

to implement them. It also tackles human resource challenges together with the tripartite partners so as to increase sustainability and competitiveness. This combination of tripartite cooperation contributes to not only better compliance with existing regulations but also harmonious labour relations.

1.2 Evolution of industrial relations in Singapore

Industrial relations in Singapore had been adversarial and confrontational during the period of the 1940s to early 1960s, accompanying political instability, high unemployment, frequent strikes and social unrest, which may be attributed to poor economic and social conditions. From July 1961 to September 1962, there were 153 strikes recorded.¹⁸ (Figure 1) However, at independence in 1965, the resolve to build the economy, which lacked natural resources and labour, obliged the leadership to see the long-term benefit in arresting confrontational labour relations in favour of investor-friendly labour market policies. The key challenge for Singapore's industrialization at the time was to attract and retain foreign investment so as to create jobs and achieve sustainable growth and development.¹⁹

Figure 1.
Number of strikes/man-days lost



Except for a minor strike in 1986 which was amicably resolved, Singapore has been strike-free since 1978.

http://www.mom.gov.sg/publish/momportal/en/communities/workplace_standards/trade_unions/Statistics/strikes.html

Source: MOM website at <http://www.mom.gov.sg/>.

In order to stabilize industrial relations, the Government introduced several pieces of legislation between 1959 and 1979. The Industrial Relations Ordinance was passed in 1960 to regulate collective bargaining procedures through compulsory conciliation and arbitration so as to prohibit strikes and lockouts once industrial disputes were brought to the Industrial Arbitration Court. The Industrial Relations (Amendment) Act, 1968, excluded from collective bargaining such matters as recruitment, transfer, promotion, and termination of service due to reorganization. The Employment Act of 1968 set forth

¹⁸ Lee Kuan Yew, *From Third World to First- The Singapore Story: 1965-2000*, 2000, p. 103.

¹⁹ MOM, 18 Jan. 2010.

minimum employment conditions and placed limits on retrenchment benefits, overtime pay and other fringe benefits.²⁰

In 1965 the Government, employers and labour signed the Charter for Industrial Progress and the Productivity Code of Practice.²¹ Responding to the Government's call, the NTUC adopted the principle of cooperation rather than confrontational industrial relations in 1969, which has contributed to harmonious industrial relations.²² The NTUC was thus given a broader role beyond collective bargaining. The shift toward a more conducive industrial relations climate had thus coincided with economic growth, while a constant decline in the number of strikes had been observed. Coinciding with this was a decline also in trade union membership. The way the NTUC attempted to revitalize the trade union movement was to establish a variety of consumer cooperatives and attract workers by providing welfare services.²³

Underpinning the shift toward sound and harmonious industrial relations started with the establishment in 1972 of the National Wages Council (NWC), the first tripartite institution ever in Singapore, which brought tripartite partners together to formulate wage-related guidelines through social dialogue to achieve orderly and realistic wage adjustments. At the time, Singapore was undergoing rapid industrialization, which raised wage increase expectations. Such expectations brought about serious concerns that irrational wage negotiations would lead to an increase in industrial disputes, which might discourage investment and hamper economic development. Its establishment also contributed to creating a climate for harmonious industrial relations and strengthening tripartite social dialogue. The number of strikes decreased dramatically from about 300 in the mid-1950s to none in the 1990s. Industrial relations have been stable with the only strike since 1978 being a two-day action in 1986 (See Figure 1).²⁴

1.3 Functioning of tripartite social dialogue²⁵

The tripartite partnership built through the NWC process laid the foundation for the development of strong social dialogue based on trust and understanding among each of the three actors, which resulted in the formation of various tripartite committees, task forces and working groups to address key labour market issues and make recommendations for implementation to bring about positive changes to existing policy and practice. Although there is no legislative foundation to institutionalize these mechanisms and framework, the way tripartism functions through them is unique but very practical and operational in terms of addressing various labour market issues as well as actually achieving objectives. Examples of this tripartite framework and mechanisms are given below.

Tripartite committees and task forces include:

- Tripartite Review Committee on Employment Act, 1994-1995
- Tripartite Committee on Extension of Retirement Age, 1997
- Tripartite Panel on Retrenched Workers, 1998
- Tripartite Committee on Executives joining the Rank and File Unions, 1999-2000
- Tripartite Committee on Portable Medical Benefits, 2000-2001
- Economic Review Committee Wages Working Group, 2002

²⁰ Lee Kuan Yew, *From Third World to First- The Singapore Story: 1965-2000*, 2000, p. 108.

²¹ See NTUC online: <http://www.ntuc.org.sg/>

²² NTUC, 21 Jan. 2010.

²³ Yew, p. 110.

²⁴ NTUC, 21 Jan. 2010.

²⁵ MOM, 18 Jan. 2010.

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- Tripartite Taskforce on Wage Restructuring, 2003
 - Tripartite Review Team on Section 18A of the Employment Act on Company Restructuring, 2004
 - National Tripartite Advisory Panel on Family Friendly Practices, 2004
 - Tripartite Committee on Flexible Work Schedules, 2004
 - Tripartite Committee on the Employability of Older Workers, 2005
 - Tripartite Alliance for Fair Employment Practices, 2006
 - Tripartite Panel on Community Engagement at Workplaces, 2006
 - Tripartite Implementation Workgroup, 2007
 - Tripartite Workgroup on Employment Act Review, 2008
 - Tripartite Taskforce on Managing Economic Downturn, 2008/09
 - Tripartite Upturn Strategy Teams (TRUST Teams), 2009

Tripartite guidelines and advisories include:

- Tripartite Guidelines on Non-Discriminatory Job Advertisements, 1998
- Tripartite Guidelines on Union Representation of Executives, 2001
- Tripartite Guidelines on Best Work-Life Practices, 2003
- Tripartite Code of Industrial Relations Practice, 2004
- Guidelines on Family Friendly Workplace Practices issued by the National Tripartite Advisory Panel, 2004
- Tripartite Guidelines on Flexi-Time Scheme, 2004
- Tripartite Guidelines on Re-employment of Older Workers, 2005
- Tripartite Advisory on Responsible Outsourcing Practices, 2007
- Tripartite Guidelines on Managing Excess Manpower, 2008 (revised in 2009)
- Tripartite Advisory on Workplace Measures to Tackle Influenza A (H1N1-2009), 2009.

There are also other tripartite frameworks which address broader issues, such as the Singapore Tripartism Forum (STF)²⁶ and the Economic Strategies Committee. The STF was launched in January 2007, jointly by the Ministry of Manpower, the National Trades Union Congress and the Singapore National Employers Federation. The purposes of the STF are to broaden, deepen and strengthen the spirit of tripartism through a more structured framework. The STF provides a platform for the tripartite partners to identify issues and concerns so as to work together more effectively toward overcoming challenges.

On the other hand, the Economic Strategies Committee (ESC), the most recent tripartite initiative, established in 2009, addresses broader economic matters and discusses long-term developmental strategies to strengthen the economy. Social dialogue through a variety of tripartite bodies has served as a critical foundation for finding solutions to a wide range of issues including flexible work arrangements, a shift from seniority wages to performance-based wages, re-employment of older workers in different jobs, jobs matching, skills development and life-long learning, fair employment practices, a flexible wage system, workfare policies through income supplements, and crisis recovery. By the

²⁶ <http://www.tripartism.sg/>

third quarter of 2009, these and other national measures had indeed helped the country to achieve a quick upturn in the economy.

1.4 Nature of tripartite social dialogue

Strong tripartite partnership has been a key competitive advantage for Singapore, underpinning its economic competitiveness, harmonious labour-management relations and the overall progress of the nation as a whole. The three parties not only work together to formulate and implement employment and industrial relations policies through consultation, but they also promote harmonious bipartite relations at the company level which contribute to mutual interests and sustainable partnership. This consultative and cooperative approach eventually created a synergistic partnership among the tripartite partners. The nature of this partnership in Singapore can thus be described and understood in terms of the following five attributes and strengths, which the tripartite partners have built up over the years.²⁷

Shared responsibility

In order to achieve sustainable economic and social progress, the tripartite partners are committed to working together and sharing responsibility. The Government promotes a favourable investment climate and economic growth through formulating policies and legislation and maintaining coordinated harmonious industrial relations. Workers are responsible for expanding their employability through continuous learning, skills upgrading, and improving adaptability for a higher standard of living and better quality of life. Employers have responsibility for increasing competitiveness and productivity so as to enable higher value-added and better-paid job creation.

Common understanding

Another key attribute of Singapore's tripartism is a common understanding built up through various forms of both formal and informal information sharing and regular dialogue among the tripartite partners in order to address diverse challenges confronting workers and their families, employers, and the country itself.

Mutual trust and respect

Next is the mutual trust and respect the three parties have developed over the years. Confidence built upon such trust and respect enables an open exchange of views and consensus building on issues and challenges that the three parties face.

Mutual benefits

In order for union leaders and employers' representatives to gain support for tripartite decisions and actions, the benefits derivable need to be seen and understood by those they represent. Singapore's tripartite cooperation brings benefits to all parties concerned. It enables the Government to effectively formulate and implement employment and industrial policies to achieve social and economic objectives. Workers are able to enjoy a fair share of economic gains during good times. On the other hand, when the country is faced with difficulties, the pain is shared among the tripartite parties through consultation, thus enabling businesses to regain competitiveness and retain jobs. Singapore's tripartism also brings about sound industrial relations and cooperative labour-management relations in workplaces, both of which contribute to a better investment climate for sustainable economic growth.

²⁷ <http://www.tripartism.sg/index.aspx?id=9#oursharedvalue>

Continued efforts

Without continued efforts by the generation of leaders on each side, the synergies among the tripartite partners are not sustainable. The tripartite partners are committed to continuing efforts to further strengthen, deepen and broaden the tripartite relationship for greater economic and social progress. In effect, the government promotes tripartite cooperation and takes an active role in furthering sound industrial relations. As a reflection of such tripartite cooperation at the national level, trade unions and workers are encouraged to build partnership and dialogue with management as a team so that labour and management could also achieve a more cooperative corporate culture at the enterprise level.

1.5 Main tripartite institutions

A number of institutions that contribute to labour market regulation and the industrial relations practice exist in Singapore. These institutions are critical to the promotion of labour and management cooperation and the advancement of the tripartite partnership in the country. Five of such institutions are previewed in this section of the paper.

Foundation of tripartism: The National Wages Council

Arguably the foundation of the tripartite system in Singapore originated with the establishment of the National Wages Council, NWC in 1972. From that time till today, the NWC has met annually and issued its periodic Wage Guidelines. As various authors, commentators and the parties advance, the guidelines of the NWC have significantly contributed to the stabilization of Singapore's industrial relations. Available evidence also indicates that since the last strike occurred in 1986, the country has experienced generally stable industrial relations, as a result of the influence of the NWC guidelines and the strong commitment of the three parties to cooperation at both national and enterprise levels.

Indeed, the NWC has served as the main institutional forum through which the stability in the industrial relations was achieved in the country. The original terms of reference for the NWC were (i) to formulate general guidelines on wage policy; (ii) to adjust the wage structure with a view to developing a coherent wage system consistent with long-term economic development; and (iii) to advise on an incentive system that promotes productivity and efficiency.²⁸

The NWC is chaired by an independent third party from academia and comprises representatives of the tripartite social partners: government representatives as well as an equal number of representatives of business and labour. Business representatives come from the SNEF, the Singapore Business Federation, the American, Japanese, German and local ethnic chambers of commerce (Chinese, Malay and Indian), while worker representatives come from the NTUC plus the leaders of selected trade unions. The government representatives come from the MOM, the Ministry of Trade and Industry, the Economic Development Board, and the Public Service Division. Alternate members from the three parties are also appointed for the purpose of ensuring adequate representation and providing additional inputs. The officials of the MOM serve as the NWC's secretariat (see Box 1 for the composition of the NWC, 2009/10).

²⁸ Then Yee Thoong, p. 220, and Hing Ai Yun, pp. 125-126.

Box 1.
Composition of the NWC, 2009-10

Chairman: Prof. Lim Pin, Professor of Medicine, NUS	
Employee representatives • National Trade Union Congress • Amalgamated Union of Public Employees • United Workers of Electronic & Electrical Industries • Singapore Insurance Employees Union • Union of Security Employees • Metal Industries Workers Union • Singapore Industrial & Services Employees' Union • Housing & Development Board Staff Union • Healthcare Services Employees Union • Food, Drinks & Allied Workers Union	Employer representatives • Singapore National Employers Federation • Singapore Business Federation • American Chamber of Commerce in Singapore • Japanese Chamber of Commerce & Industry, Singapore • Singaporean-German Chamber of Industry & Commerce • Singapore Chinese Chamber of Commerce & Industry • Singapore Indian Chamber of Commerce & Industry • Singapore Malay Chamber of Commerce & Industry
Government representatives • Ministry of Manpower • Singapore Workforce Development Agency • Ministry of Trade & Industry • Economic Development Board • Public Service Division	

Source: Presentation made by Mr. Ong Yen Her, MOM, in the course of the ILO study mission.

When the NWC meets at its annual meetings, from April to June,²⁹ it reviews and considers key macro-economic indicators, such as GDP growth and prospects, productivity growth, inflation, and other labour market indicators, and makes decisions which are based on consensus. Public views are sought prior to the meeting of the NWC, and are taken into consideration when drawing up Guidelines. Deliberations during the NWC are confidential until the Guidelines are issued. The non-attribution principle is observed. The NWC Guidelines are gazetted under the Employment Act, and becomes part of the legal basis for negotiations between employers and trade unions.

Negotiations between enterprise management and the unions are undertaken on the basis of the NWC Guidelines and the situation facing each company. Non-unionized companies also use the Guidelines as a reference in determining wage increases for their employees. Although the nature of the Guidelines is non-binding to the extent that it allows for flexibility in the negotiation of wages between the two sides of the enterprise, guidelines are widely followed. The Guidelines are also used when both parties seek mediation and adjudication in cases where they do not reach an agreement.

Central Provident Fund

The Central Provident Fund (CPF) is a compulsory social security savings plan which set up in 1955 to provide retirement financial security for workers. Over the past five decades, it has evolved into a multi-layered, comprehensive social security saving scheme in order

²⁹ The NWC met more frequently in times of economic downturn, as was the case during 2008-2009.

to meet the population's multiple needs in retirement, healthcare, home ownership, family protection and asset enhancement.³⁰ The CPF functions as a critical scheme for promoting "welfare in work" and, in this context, it has made a significant contribution to national growth and the welfare of the people.³¹ The CPF is managed by a tripartite board of representatives from the Government, the workers and the employers, appointed by Ministers.

Contributions to the CPF are made monthly by employers and employees, and go into three accounts: (i) the Ordinary Account, is used for home ownership, CPF insurance, investment and education; (ii) the Special Account, is dedicated for old age, contingency purposes and investment in retirement-related financial products; and (iii) the Medisave Account, is for hospitalization expenses and medical insurance.³²

The adjustment in CPF contribution rates has often been used as a tool of wage policies as well as the country's overall macro-economic policy, including managing the economic downturn, as examined in Chapter 3 of this paper.

One of the recent initiatives of the partners was the setting up of the Tripartite Committee on CPF and Work-Related Benefits for Low-Wage Workers (TriCom) in 2007. The programme seeks to address issues concerning contract and casual workers, whose numbers have been growing due to the expansion in outsourcing services. Most such workers are engaged in the services sector, such as cleaning and security, and whose vulnerability as compared with other groups of workers, is widely recognized. When the Government institutionalized workfare through the Workfare Income Supplement (WIS) scheme to help low-wage workers find work, boost their income and build up their retirement savings, it became necessary for the low-wage informal workers and self-employed persons to contribute to the CPF in order to qualify for WIS benefits. Those in the age group 35 years and older and who earn up to \$1,700 per month could be eligible for WIS, up to \$2,800 per year depending on applicants' average monthly wage as well as their age.³³

It is instructive to bear in mind that the NWC 2007/2008 Guidelines had underlined the tripartite efforts needed to reach out to low-wage workers, their employers, and low-wage self-employed persons to address this concern. Towards this goal, the TriCom adopted in 2007 the following Terms of Reference:³⁴

- i. Identify the key sectors with a higher incidence of informal workers or self-employed persons not making CPF contributions;
- ii. Identify the impediments to regular CPF contributions and other employment problems faced by low-wage workers;
- iii. Initiate and drive promotional programmes to educate workers about the benefits of the CPF and other employment rights, and details for WIS, as well as encourage employers, informal workers and self-employed persons to start contributing to CPF and Medisave;
- iv. Recommend and implement measures to incentivize contributions to CPF and Medisave by employers and workers, as well as strengthen the protection of employment benefits for low-wage workers; and
- v. Develop outreach efforts to informal and self-employed low-wage workers by coordinating multi-agency initiatives and leveraging existing networks, such as those of NTUC, SNEF, the People's Association, and trade and industry associations, to encourage and help low-wage workers sign up and make regular

³⁰ See: <http://mycpf.cpf.gov.sg/Members/home.htm>

³¹ Dr. Soon Beng Chew; Dr. Rosalind Chew, interview by T. Fashoyin, 20 Jan. 2010.

³² See: <http://mycpf.cpf.gov.sg/Members/home.htm>

³³ For more details, see: http://mycpf.cpf.gov.sg/Members/Gen-Info/WIS/WIS_Scheme.htm.

³⁴ See: http://www.mom.gov.sg/publish/momportal/en/press_room/press_releases/2007/20070618-tripartite.html

CPF contributions, and/or seek redress and assistance where they have been deprived of other work-related benefits.

The enforcement actions against errant employers have been taken for breaches of employment and CPF laws. As a result of this public policy, while 35 employers were either fined or prosecuted by MOM for Employment Act offences in 2007, the CPF Board prosecuted 181 employers for CPF Act offences in the same year.³⁵ In addition to these efforts, the TriCom also released the Tripartite Advisory on Responsible Outsourcing Practices³⁶ in 2008 in order to encourage end-user companies awarding outsourcing contracts to demand that their service suppliers or contractors help raise the employment terms and benefits as well as CPF status of low-wage contract workers, as required by the law. Specially, companies are encouraged to consider the following:

- i. Including compliance with Singapore's employment laws as a condition in the service contract with their suppliers;
- ii. Encouraging written employment contracts between service suppliers and their contract workers;
- iii. Conducting checks on the financial standing of service suppliers;
- iv. Awarding contracts to service suppliers that are performance-based;
- v. Retaining experienced workers; and
- vi. Helping workers qualify for employment benefits under the Employment Act.

The CPF Board is also working together with the MOM and the NTUC's Unit for Contract and Casual Workers (UCCW) to reach out to service buyers, managing agents and employers with regard to what is laid down in the Terms of Reference as well as the Tripartite Advisory.

Singapore Workforce Development Agency³⁷

The Workforce Development Agency, (WDA) was established in 2003 as a statutory body of the MOM under the Singapore Workforce Development Agency Act.³⁸ The WDA's board is tripartite, and works closely with employers, unions, industry partners and governmental agencies.³⁹ The goal of the agency is to enhance the employability and competitiveness of Singapore's entire workforce, young and old, from rank-and-file to professionals, managers, executives, and technicians (the so-called PMETs). The WDA is funded by the Skills Development Fund, created by a levy on employers as training fees for workers, which amount to approximately \$120 million⁴⁰ a year, as well as the Lifelong Learning Fund, which is run by the Government, seeking to promote continuous learning and skills upgrading. In 2010, the funds stood at \$3 billion with interest at \$120 million a year.

In order to achieve its mandate, the WDA developed a Continuing Education and Training (CET) infrastructure, based on an established network of Industry Skills and Development Councils, to help chart the future of manpower development in each economic sector. The WDA also developed national skills framework called Workforce

³⁵ See: http://www.mom.gov.sg/publish/momportal/en/press_room/press_releases/2008/20080305-LWW.html

³⁶ For full text, see:

http://www.mom.gov.sg/publish/etc/medialib/mom_library/Workplace_Standards/files3.Par.30273.File.tmp/Tripa rtite%20Advisory%20Booklet.pdf

³⁷ WDA, 18 Jan. 2010. The figures concerning the WDA are accurate as of this date.

³⁸ For full text, see http://statutes.agc.gov.sg/non_version/cgi-bin/cgi_retrieve.pl?actno=REVED-305D&doctitle=SINGAPORE%20WORKFORCE%20DEVELOPMENT%20AGENCY%20ACT%0A&date=latest&method=part&sl=1.

³⁹ For more details on tripartite approaches to skills development in Singapore, see Hing Ai Yun and Russell D. Lansbury.

⁴⁰ All dollar amounts in this paper are in Singapore dollars.

Skills Qualifications (WSQ) system for all key sectors. It also established the Continuing Education and Training (CET) Centres and a network of training providers to deliver training programmes according to the WSQ standards.

The WDA taps on two sources of funding. The WDA taps on the Skills Development Fund (SDF) to subsidise training fees, and both employers and individual workers are eligible to enjoy the funding. The SDF is financed by the collection of the Skills Development Levy (SDL) from employers. Employers will need to contribute SDL for all employees (including foreign workers) up to the first \$4,500 of gross monthly remuneration at the levy rate of 0.25 per cent, subject to a minimum contribution of \$2 for remuneration less than \$800. Secondly, the WDA taps on the Lifelong Learning Fund, an endowment fund set up by the Government to ensure a secure and continuing stream of income to support lifelong learning in Singapore and enhance workers' employability.

Apart from a strong tripartite nature of the WDA's CET initiatives, the body works with other public agencies as well as public and private training institutions. To date, there are 49 CET Centres located island-wide, providing workers with direct access to skills upgrading opportunities. The CET centres include, for example, the NTUC Learning Hub, the Electronics Industries Training Centre (ELITC), Health Management International Ltd (HMI), the Centre of Urban Greenery and Ecology, the Singapore Institute of Manufacturing Technology, and the Singapore Institute of Retail Studies. The SNEF also serves as one of the WDA-accredited CET centres.⁴¹ In 2008, 100,935 workers obtained WSQ Statements of Attainment through 42 CET Centres, while 266,188 workers went through skills upgrading. Some 24,082 were placed in jobs via skills conversion programmes for priority sectors or targeted groups and 65 per cent of them remained more than three months in the same job. 12,343 were placed in jobs, of which 60.5 per cent remained in the same job for more than three months.

Employment and Employability Institute⁴²

The NTUC's Employment and Employability Institute (e2i) is another excellent illustration of how tripartism works in Singapore. The e2i was officially launched in 2008 by Prime Minister Mr. Lee Hsien Loong. It is a one-stop, skills-based institute for jobseekers, employers and training providers. The e2i provides workers with job and training opportunities, for the purpose of promoting the employability of workers and the competitiveness of employers so as to minimize skills mismatch and expectations. Although an initiative of the NTUC, it is supported by the Singapore Workforce Development Agency (WDA), the Singapore Labour Foundation (SLF), and the Singapore National Employers Federation (SNEF).

The main tasks of the e2i are to:

- i. Develop partnerships with training providers to upgrade workers;
- ii. Reach out to jobseekers and workers who seek new or better jobs; and
- iii. Promote industrial redevelopment and job re-creation.

In all the tasks, the e2i cooperates with employers, industry associations and government agencies, in industrial redevelopment so as to increase the competitiveness, productivity and employability of workers through retraining and skills upgrading. In 2008, for example, the e2i scheme helped 20,616 jobseekers by placing them in new jobs; moving them into higher-value jobs; or moving them to new jobs in other sectors. Also in 2009, 60,000 jobseekers were assisted through training and found new and better jobs. The challenge for the scheme, is how best to reach out to every sector, every worker, and every occupation. It is instructive to note here that the e2i scheme played a critical role in the crisis recovery effort, as will be shown in Chapter 3 of this report.

⁴¹ SNEF, p. 28.

⁴² Employment and Employability Institute, 19 Jan. 2010

Tripartite Alliance for Fair Employment Practice⁴³

The Tripartite Alliance for Fair Employment Practices (TAFEP) is another example of how tripartism functions, particularly in finding practical ways to address employment related issues. The programme was set up in May 2006 as a partnership, and co-chaired by the representatives of the SNEF and the NTUC with the support of the MOM. The aim was to promote a mindset change among employers, employees and the general public to adopt fair and equitable employment practices through a wide range of promotional approaches. The programme evolved from a Tripartite Committee to discuss age discrimination issues, and which resulted in a common realization of the need to address broader questions of discrimination. The TAFEP is located on union premises and registered as a legal entity of the employers' federation. Its staff members include representatives from the employers' federation, union and government officials.

Although there is no legislation enacted in the area of non-discrimination in Singapore, TAFEP formulated the Tripartite Guidelines on Fair Employment Practices⁴⁴ in May 2007, built upon Guidelines including the Code of Responsible Employment Practices, developed in 2002, and the Tripartite Guidelines on Non-Discriminatory Job Advertisements formulated in 1999 and revised in 2006.⁴⁵ The new Guidelines serve as a tool to prevent discrimination in the workplace and to encourage employers to adopt progressive human resource practices which benefit both employers and employees.

The five principles of Fair Employment Practices which are embodied in the Guidelines are:

- i. Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), and regardless of age, race, gender, religion, family status or disability.
- ii. Treat employees fairly and with respect and implement progressive human resource management systems.
- iii. Provide employees with an equal opportunity to be considered for training and development based on their strengths and needs, to help them achieve their full potential.
- iv. Reward employees fairly, based on their ability, performance, contribution and experience.
- v. Abide by labour laws and adopt Tripartite Guidelines which promote fair employment practices.

The TAFEP engages in a variety of activities including organizing promotional campaigns, such as training workshops, conferences, advisory services, and educational materials, as well as encouraging employers to sign the Employers' Pledge of Fair Employment Practices. To date, more than 1,200 employers, covering all major business chambers, have signed and made a commitment to the Pledge to support the TAFEP's promotional approach. The commitment to the Pledge is a non-binding tool, but it allows employers to have access to the TAFEP's various services. So far, more than 7,000 human resource and line managers have attended training, briefings and other events organized by the TAFEP, covering issues such as the recruitment/selection process, grievance handling, managing mature workers and harnessing women's potential. The TAFEP also gives awards to employers that adopt good practices, based on nomination by employees.

The TAFEP actively works with job intermediaries, which contributes to a reduction in the number of discriminatory job advertisements. Thus, newspapers adopted the

⁴³ TAFEP, 20 Jan. 2010.

⁴⁴ For full text, see:

http://www.mom.gov.sg/publish/etc/medialib/mom_library/corporate/files.Par.96758.File.dat/TAFEP%20Guidelines%20-%20Annex%20A.pdf

⁴⁵ As much as possible these guidelines are carefully developed to meet international standards.

Tripartite Guidelines in their own vetting guidelines. Staffing agencies signed the Pledge and agreed on educating clients. Major job portals also signed the Pledge and committed to take down discriminatory job ads. According to the TAFEP's monitoring of print advertisements, the proportion of job ads that specified race, age, gender or other preferred characteristics without any reasonable grounds dropped from about 20 per cent to 1 per cent during the period 2006 to 2009.⁴⁶ Another achievement was that 7 in 10 employers have adopted fair and merit-based employment practices, while 8 in 10 cited attracting and hiring talented workers as a reason for adopting such practices.

The TAFEP also handles complaints. Most of the complaints it receives are cases regarding discrimination on the grounds of age, race, language, family status, and gender. When complaints are made to the TAFEP, it seeks resolution through listening to the complaints, and then approaches the employer so as to address real needs through a moral suasion approach. The approach taken by the TAFEP is therefore not a procedure involving recourse to law. Since 2007, it has handled 130 cases, and all the companies against which complaints were brought to the TAFEP have accepted its advice and assistance.⁴⁷ The TAFEP handles complaints by seeking a harmonious solution rather than adversarial legal recourse. Although the enforcement of non-discrimination principles is not easy to implement by the use of persuasion alone, this could serve as a template for effectively implementing non-discrimination principles.

⁴⁶ *The Straits Times*, 21 Jan. 2010.

⁴⁷ *ibid.*

2. Wage policy development and the collective bargaining process

The tripartite process through the NWC has made a significant contribution to building Singapore's wage structure as well as guiding wage reform over the years with a view to achieving socio-economic development. Through these means, a legally regulated collective bargaining process, as well as the conciliation and arbitration procedures has served as a framework for the prevention and settlement of industrial disputes. Through a critical interface between bipartite negotiation at the enterprise level by the social partners and their collaboration in what has been envisioned by the tripartite NWC, the tripartite consensus at the national level in wage policy has been pervasive and effectively implemented. With both processes combined, Singapore has been successful in minimizing disputes and promoting harmonious industrial relations. In what follows, a brief overview of wage policy progression from the earlier years of the NWC to the present day and the changing role of the NWC will be presented together with the country's collective bargaining process.

2.1 Wage policy progression through the NWC

The nature of the NWC Guidelines has changed over the years but, overall, the contributions made by the council to Singapore have been significant. Its roles have not been limited to providing a basis for wage negotiations, minimizing wage disputes, and fostering sound industrial relations. Rather, the roles have evolved over the years to include formulating broader wage reform policy as well as coping with several economic downturns which the country had faced. The NWC has been active in bringing in changes to allow the country to perform better and the key to its success lies in trust, understanding and compromises shared among the tripartite partners.

Until the mid-1980s, the NWC had provided quantitative wage increment guidelines. In the early 1970s when the NWC was established, Singapore was in the middle of a period of rapid economic growth with almost full employment, resulting in the shortage of skilled and semi-skilled labour associated with rising expectations of wage increases. The role that the NWC played was critical in ensuring that increases were orderly and rational so as to maintain Singapore's competitiveness in the international market and encourage potential investment. The NWC recommended high wage increases of 6 to 10 per cent or more during this period, with actual nominal wage increases averaging 8 per cent, which thus more or less followed its recommendations.

The NWC continued to recommend wage increases in excess of past productivity growth and the CPF contribution rate was also raised, pushing up labour costs. In 1979, the "wage correction policy", in which there were three years of high-wage recommendations, was designed to force an increase in the productivity of higher value-added operations and reduce the reliance on cheap unskilled foreign labour, as well as raise labour productivity.⁴⁸ For the period 1979 to 1984, the average total nominal wage increase reached around 12 per cent.⁴⁹ This well exceeded the NWC's recommendations in the years 1979-1981 of an increase of above 6 per cent.

While the NWC recommended moderate wage increases after this wage adjustment period, labour shortages led to continued high wage growth and increases in business costs. Additionally, collective agreements applicable to unionized workers lasted for two or three

⁴⁸ <http://www.country-data.com/>.

⁴⁹ Presentation made by MOM, 18 Jan. 2010.

years with “built-in” wage increases.⁵⁰ Another critical step taken by the NWC during that period was to set up the Skills Development Fund, funded by a levy on employers, in order to improve workers’ skills.⁵¹ This, together with wage increases and a further raise in the CPF contribution rates, pushed labour costs in Singapore quite high.⁵²

The high business costs together with other domestic and external factors, including weak international demand, led Singapore into a recession. The recession of 1985 marked the symbolic turning point in the country’s broad wage structure. The NWC recommended wage restraint in 1986 and 1987 and this had led to the average total nominal wage increase declining to 4 per cent during 1985 to 1987.⁵³ The NWC also took the step of undertaking a major wage reform in Singapore and in 1986 a subcommittee proposed introducing a flexible wage system to promote competitiveness during the growing globalization of the economy. Endorsed by the tripartite partners, its recommendations laid down the following principles of a flexible wage system:

- (i) *Wages should reflect the value of the job;*
- (ii) *Wage increase should lag behind productivity growth;*
- (iii) *Wage increase should take into account company and individual performance;*
- (iv) *Wage increase for company of individual performance should not always be given on a permanent basis; and*
- (v) *There should be a measure of stability in the workers’ income.*⁵⁴

The recommendations also laid down features of a flexible wage system as follows:

- (i) *Under the flexible wage system, the wage structure should comprise three parts: the basic wage to give a measure of stability to workers’ income; annual wage supplement of one month’s basic wage; and a variable wage component of about two months’ basic wage. This together with the one month annual wage supplement would allow about 20 per cent of wages to be made variable.*
- (ii) *Salary ranges should not be too wide; a reasonable ratio between the maximum and the starting salary would be 1.5 times.*
- (iii) *There should be a small service increment under normal circumstances.*
- (iv) *The variable wage component should be paid yearly or half yearly.*⁵⁵

The NWC’s subcommittee also recommended that there should be a formula or some understanding in collective agreements in which the payment of the variable wage component was linked to changes in company performance.⁵⁶ By this time, the bipartite partners in Singapore had acquired more experience in the process of collective bargaining, enabling them to determine their own level of wage increase.⁵⁷ Thus, in 1987, the NWC moved away from issuing quantitative wage-increase guidelines toward qualitative ones in which the country’s broader annual principles for wage negotiations are reflected and a diversity of labour market responses are allowed.

In 1988, the NWC itself laid down an important general principle for wage negotiations: wage increases should lag behind productivity growth to maintain and enhance international competitiveness. The shift was made also to allow more flexibility in

⁵⁰ <http://www.country-data.com/>

⁵¹ Dr. Hoon Hian Teck, interview by T. Fashoyin, 22 Jan. 2010.

⁵² <http://www.country-data.com/>.

⁵³ MOM, 18 Jan. 2010.

⁵⁴ Then Yee Thoong, p. 227.

⁵⁵ *ibid.*, p.227.

⁵⁶ *ibid.*, p. 227.

⁵⁷ *ibid.*, p. 225.

wage negotiations so that wage adjustments are more closely linked to sector- and company-wide differences in performance, to reward and motivate workers for their contribution based on performance, and to reflect changing economic and market conditions. By the end of 1996, 76 per cent of companies had already implemented flexible wage systems.⁵⁸

Such a major structural change was made possible by the close ties that existed among the tripartite partners.⁵⁹ More significantly, the tripartite partnership which has developed through the years of the NWC consultation process has served as the very foundation of strong tripartism in Singapore. Through this process, workers have become well capacitated with a better understanding of the basic economic principles operating in the market, and have gradually accepted and aligned themselves with the critical role which the tripartite partnership plays through the wage negotiation process.⁶⁰ As is generally acknowledged, it is this joint vision of the tripartite leadership that helped to build trust, cooperation and the achievement of sectoral rewards in a manner that fosters overall national economic development and prosperity. This essential role of tripartite cooperation has led Singapore through several adverse economic crises, including the recession of 1985, the Asian crisis of 1997 and the current global economic downturn, as demonstrated in the following Chapter 3 of this paper.

2.2 NWC guidelines, wage determination and collective bargaining

The Industrial Relations Act⁶¹ regulates the process of collective bargaining as well as conciliation and arbitration. In addition to prohibiting any action by employers intended to discourage their employees from joining a union, it obliges the former to recognize a legitimate trade union as the representative organization of workers. It also sets out procedures for union representation.

Procedures are also set out in the Act for a duly recognized trade union to serve an employer with notice on all matters related to the terms and conditions of employment to be negotiated, including wages and bonuses. The Act deems questions that come under the heading of management's prerogatives – such as recruitment, promotions and transfers, duty allocation or assignment, and dismissal or termination due to redundancy or reorganization – to fall outside the scope of collective bargaining, unfair dismissal being covered by another provision in the law.

Once an employer receives a demand from a trade union to negotiate a collective agreement, the collective bargaining process⁶² is deemed to have begun, and the employer is obliged to start negotiations within seven days. Should the employer refuse to negotiate, or if negotiations break down, the Ministry of Manpower is authorized to play a conciliatory role. Once an agreement has been reached between union and management, whether or not there has been any intervention on the part of the Ministry's conciliation officer, a collective agreement is signed by the two parties and registered. The tripartite Industrial Arbitration Court must certify any collective agreement in order for it to take effect and become legally binding upon both parties. The total number of certified collective agreements as of 2008 was 354.⁶³

⁵⁸ *ibid.*, p. 228.

⁵⁹ MOM, 18 Jan. 2010; Dr. Hoon Hian Teck, interview by T. Fashoyin, 22 Jan. 2010.

⁶⁰ MOM, *ibid.*

⁶¹ For full text, see: http://statutes.agc.gov.sg/non_version/cgi-bin/cgi_gettoc.pl?actno=2004-REVED-136&doctype=INDUSTRIAL%20RELATIONS%20ACT%0a&date=latest&method=part.

⁶² For details, see Heng, *op. cit.* (note 7), pp. 10-11.

⁶³ *ibid.*

Should negotiations break down or agreement not be reached, the parties are encouraged by the registrar of the IAC to come to an amicable settlement through conciliation. Most disputes are resolved at this stage but, should this process fail, reference is made to the IAC for arbitration. IAC rulings or awards are final and binding. The Industrial Relations Act provides a number of avenues for conciliation with a view to resolving disputes amicably and to the satisfaction of both parties.⁶⁴

The NWC Guidelines are referred to and used at various stages of the collective bargaining process. They are used not only by labour and management in their collective bargaining, but also by the MOM's conciliation officers, and are widely implemented in negotiations, conciliation, certification of agreements, and awards by the IAC.⁶⁵ The role that the NWC Guidelines play is significant since they are used as reference in certification of agreements and hearing disputes by the IAC in practice, though such practices are not a mandatory requirement under the Industrial Relations Act.⁶⁶

⁶⁴ Heng, op. cit. (note 7), p. 11.

⁶⁵ Tan Wee Liang, p. 80.

⁶⁶ *ibid.*, p. 81.

3. Managing economic downturn through tripartite cooperation

An understanding of how tripartism has contributed to overcoming the current global economic crisis will enhance our appreciation of the weight and value of a joint vision and commitment on the part of partners to agreed policy interventions in dealing with the threat the crisis poses. From March 2008, when the economy began to show indications of a decline, the tripartite partners designed innovative labour market measures, making optimal use of available human resources in support of macroeconomic policies to achieve an economic upturn. These measures sought to retain employment through various programmes, such as cost cutting to save jobs, skills development, including skills upgrading, retraining and government support for businesses to retain workers.

3.1 Tripartite reactions to past economic downturns

Singapore had sought solutions to past economic downturns through tripartite cooperation, which gave opportunities for the partners to build and reinforce mutual trust and confidence to better manage the crisis. We begin with a snapshot on how the tripartite process and the institutions of the labour market were used in dealing with the global crisis in the country.

In the case of the 1973-74 oil crisis, the role played by the NWC, established barely a year earlier, was quite significant. Singapore, like other oil-importing countries, had to face serious inflation, which rose from 1.9 per cent in 1972 to 19.9 per cent in 1973 and to 22.2 per cent in 1974. The NWC's recommendations to cope with this crisis were: i) shortening of the duration of collective agreements from three or five years to two or three years; and ii) wage increases above what was agreed in existing collective agreements. Both measures were intended to increase wage flexibility in response to price increases. The NWC then released an interim recommendation for an across-the-board increase of \$25 per month for every employee, followed by a 17 per cent wage increase recommendation in 1974. Workers' standards of living, though falling somewhat due to inflationary pressure, were thus maintained without causing grave disorder in industrial relations, which contributed to the preservation of a good investment climate in Singapore.⁶⁷

In the case of the 1985-86 recession, Singapore's economy faced sharp negative shocks due to a decline in oil prices and a slowdown in export performance and construction activities. Firms had a tendency to lay off workers, partly due to high labour costs. At that time, the employers' contribution to the CPF compulsory savings fund was as high as 25 per cent of monthly earnings, while another 4 per cent of the wage bill was collected as Skills Development Fund levy.⁶⁸ In order to overcome the crisis, it was inevitable that incentives be provided to re-employ workers and increase enterprise profitability through substantial wage cuts, at least in the short term.

A test of the quality of the tripartite partnership thus came in terms of whether the tripartite partners could reach consensus on reducing costs. A tripartite committee was set up by the Government to consult with businesses and trade unions, while union leaders made efforts to convince workers to agree on a cut in CPF contributions, with assurances that they would be restored once the economy picked up.⁶⁹ The consensus reached through

⁶⁷ Lim Chong Yah, pp. 48-49.

⁶⁸ Dr. Hoon Hian Teck, interview by T. Fashoyin, 22 Jan. 2010.

⁶⁹ *ibid.*

the NWC were to: (i) cut corporate income tax from 40 per cent to 33 per cent; (ii) slash employers' CPF contributions from 25 per cent to 10 per cent; (iii) reduce the levy for the Skills Development Fund from 4 per cent of the wage bill to 1 per cent, and (iv) remove the old payroll tax of 2 per cent.⁷⁰ This change was implemented along with the NWC's recommendation for wage restraint during 1986-1987, while the Government itself took various other actions, including a stimulus package. The country's wage costs immediately fell, contributing to shortening the recession. Singapore's economy had gradually recovered, with GDP growth rates rising from minus 1.8 per cent in 1985 to plus 1.2 per cent in 1986, and 6 per cent in 1987. By late 1987, the economy had gradually recovered and the CPF contribution was restored, first to 12 per cent in 1988 and then to 20 per cent in 1994.⁷¹

This experience of tripartite cooperation for recovery strengthened the synergies among the partners, and enabling them to cope with the Asian financial crisis which began in 1997. Thus in 1998, the NWC recommended wage cuts of 5 per cent to 8 per cent, through the variable wage component, while the employers' CPF contribution was recommended to be cut from 20 per cent at that time to 10 per cent for 1999 and 2000.⁷² The *ad hoc* Tripartite Panel on Retrenchment was set up in 1998 to help companies and workers deal with retrenchment, while the tripartite Economic Development Board and the Productivity and Standards Board, created to address labour market issues arising from the Asian financial crisis, also examined retrenchment issues.⁷³ All these inter-related efforts had the effect of reducing wage costs, which enabled firms to maintain competitiveness and save jobs. What is critical is that workers were willing to accept sacrifices with the assurance of jobs because of the trust and social capital which had been built through previous joint crisis recovery efforts.

It is equally noteworthy that the NWC also recommended a wage cut in 2001, following the 9/11 terrorist attacks in the US, and again a wage freeze in 2003 and 2004 when the severe acute respiratory syndrome (SARS) hit Singapore. Thereafter, as the economy picked up, the NWC recommended moderate wage increases.⁷⁴

It is instructive to note that by this time, in combination with the country's budget surplus and household savings which had been accumulated over the years, the tripartite partnership, been built up over time, was well prepared and capacitated to cope with the new crisis when it came in 2008.

3.2 Impact of the current global financial crisis⁷⁵

As a result of the global financial crisis, Singapore's economic growth slowed down sharply to 1.1 per cent in 2008, from 7.8 per cent in the previous year. The credit crunch caused a drastic drop in exports, while GDP contracted by 6.8 per cent in the third quarter and 4.2 per cent in the fourth quarter of 2008. These were followed by a decline of 9.4 per cent in the first quarter and 3.2 per cent in the second quarter of 2009. The GDP forecast for 2009 was estimated to be minus 2.1 per cent. The manufacturing sector faced excess capacity due to the sudden cancellation of business contracts and orders, which resulted in an excess of human resources, particularly in electronics companies.

As shown in Figure 2 below, the seasonally adjusted overall unemployment rate rose from 2.5 per cent in the fourth quarter of 2008 to 3.3 per cent in the first quarter of 2009,

⁷⁰ L. Fraile, p. 105.

⁷¹ Dr. Hoon Hian Teck, op. cit.

⁷² Heng, op. cit. (note 7), p. 17.

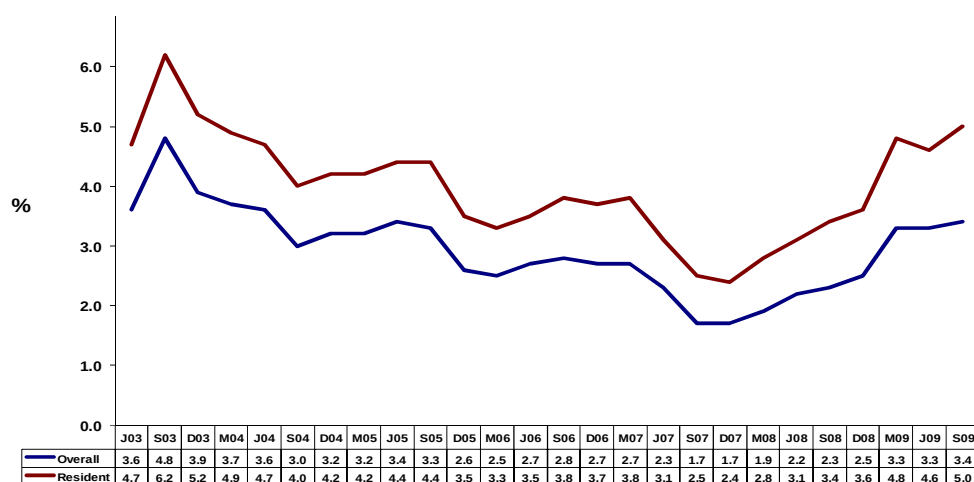
⁷³ Fraile, op. cit. (note 7), p. 109.

⁷⁴ Heng, op. cit. (note 7), p. 14.

⁷⁵ MOM, 18 Jan. 2010.

remaining stable at 3.3 per cent in the second quarter of the same year. The total number of redundancies increased from 3,180 in the third quarter of 2008 to 12,760 in the first quarter of 2009, though falling to 5,980 in the second quarter and 2,200 in the third quarter of 2009.

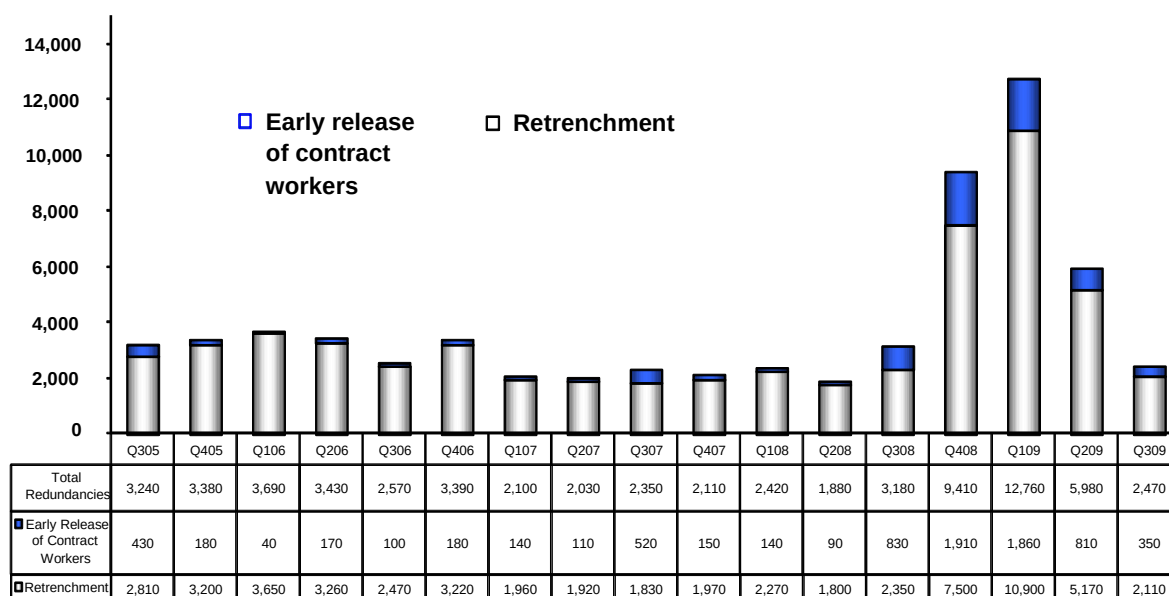
Figure 2.
Seasonally-adjusted unemployment rate, Jun. 03–Sep. 09



Source: Labour Force Survey, MOM.

As shown in Figure 3, the number of early released contract workers, which was merely 90 in the second quarter of 2008, jumped to 830 in the third quarter, and to 1910 in the fourth quarter of 2008, though with a gradual decline to 1,860 in the first quarter and 810 in the second quarter of 2009. The total number of those retrenched also rose, to 10,900 in the first quarter of 2009, from 2,350 in the third quarter of 2008, though falling to 5,170 in the second of 2009.

Figure 3.
Total redundancies, Q2 05 Q3 09



Figures may not add up due to rounding.

*Total redundancies refer to employees made redundant due to retrenchment or early termination of contracts.

Source: Labour Market Survey, MOM

3.3 Tripartite action to save jobs⁷⁶

Indeed the current global crisis provided an opportunity to further strengthen tripartism in Singapore. In this context, the tripartite partners responded quickly to address the economic downturn and retain jobs. Thus, in order to help businesses and workers cope with the downturn, tripartite partners the MOM, the SNEF, and the NTUC agreed upon three major initiatives:

- i. Jobs Credit Scheme;
- ii. SPUR (Skills Programme for Upgrading and Resilience); and
- iii. Tripartite Guidelines on Managing Excess Manpower, issued in 2008 and revised in May 2009.

With the Jobs Credit and SPUR combined, employers were entitled to as much as \$1,400⁷⁷ a month in support of each local employee, to help retain workers and upgrade their skills. The total “resilience package” in 2009 was \$20.5 billion. This includes the budget allocation not only to the Jobs Credit and the SPUR, but also a temporary top-up (an additional 50 per cent of payments to low-income workers under the Workfare Income Supplement (WIS), as well as plans to create 18,000 public sector jobs during 2009-2010, particularly in the health care and education sectors.

Such multiple efforts based on tripartite cooperation have created significant positive impacts in mitigating post-crisis negative effects. Although the recession had been worse in terms of GDP growth than past major downturns when the Asian financial crisis

⁷⁶ MOM, 18 Jan. 2010.

⁷⁷ All dollar amounts in this paper are in Singapore dollars.

and SARS hit the economy, the number of those retrenched was far below the magnitude experienced in the past.⁷⁸

Jobs Credit Scheme

Under the Jobs Credit Scheme,⁷⁹ the Government helps employers with their wage bills by giving a 12 per cent cash grant on the first \$2,500 of each local employee's monthly wage, for a period of one year from 2010 (extended for six more months: at half the amount for the first three months, a quarter of the amount for the second three months). Employers other than local and foreign government organizations that have paid Central Provident Fund (CPF) contributions for their employees (Singaporeans and permanent residents only) were eligible for the Jobs Credit.

SPUR Programme

On the other hand, the SPUR⁸⁰ is a \$650-million two-year programme which helps companies and workers to manage the economic downturn and invest in skills for the recovery. SPUR provides support in the form of a 90 per cent training course fee subsidy and a maximum 90 per cent of payroll, at a predetermined salary cap, for employees. Over 800 SPUR-approved courses were available at more than 100 certified training providers, including 42 CET centres. Professionals, managers, executives and technicians (PMETs) were also entitled to SPUR funding under the Professional Skills Programme (PSP).⁸¹

The SPUR is being run by tripartite partners themselves. The MOM and the WDA provide funding support as well as skills programme development. The NTUC rolls out SPUR through the Employment and Employability Institute (e2i), while the SNEF outreaches to companies to upgrade their human resources capabilities. The Community Development Councils also take part in this initiative, mainly providing career services and community support.

Tripartite Guidelines on Managing Excess Manpower

The Tripartite Guidelines on Managing Excess Manpower was defined and agreed in November 2008 (MEM Guidelines).⁸² It encourages companies to consider the following alternative measures to retrenchment:

- i. Sending workers for training under SPUR;
- ii. Redeploying workers to alternative areas of work within a company;
- iii. Implementing a shorter work week, temporary lay-off or flexible work schedule or other flexible work arrangements; and
- iv. Using the flexible wage system to adjust wage cost, including freezing or reducing wages.

The Guidelines are reflections of a spirit of equal sacrifice through close tripartite consultations. They stress that retrenchment should be carried out only as a last resort. Unionized companies are encouraged to discuss with the unions to assure their implementation in responsible manner when retrenchment is inevitable. The Guidelines

⁷⁸ Dr. Hoon Hian Teck, op. cit..

⁷⁹ For more details, see <http://www.iras.gov.sg/irashome/jobscredit.aspx>

⁸⁰ For more details, see: <http://app2.wda.gov.sg/data/imgCont/651/SPUR%20Factsheet.pdf>

⁸¹ See:

http://www.mom.gov.sg/publish/momportal/en/press_room/press_releases/2008/20081121-government.html. The PSP was newly introduced in 2009 to help PMETs in skills upgrading to survive the current economic downturn.

⁸² For full text, see:

http://www.mom.gov.sg/publish/etc/medialib/mom_library/corporate/files.Par.23118.File.dat/Managing%20Excess%20Manpower%20Guidelines%20-%20Annex%20A.pdf

further encourage companies to give early notice to the MOM upon their decision to retrench so as to enable the Ministry and the relevant agencies to help affected workers find alternative jobs. In order to effectively implement the Guidelines, the Government also formed the Tripartite Upturn Strategy Teams (TRUST Teams) in April 2009. TRUST Teams engage companies on a one-to-one basis to raise awareness of the Guidelines, as well as to assist companies in their implementation. They targets both unionized and non-unionized companies including small and medium-sized enterprises (SMEs). The Government also set up MEM (Managing Excess Manpower) within MOM to provide advice to companies on the downturn measures as well as to companies that are considering retrenchment. The tripartite partners then revised and released, in May 2009, the updated Tripartite Guidelines on Managing Excess Manpower,⁸³ in view of the changing economic situation and the downturn which was expected to be prolonged. Under the revised Guidelines, feedback from consultations with industries and unions over the previous few months was also reflected. Key revisions included:

- v. Updates to Jobs Credits, SPUR, and SPUR-related schemes such as the Skills Programme (PSP);
- vi. Recommendations on a shorter working week, temporary layoffs and flexible work arrangements ;
- vii. Recommendations on making the Monthly Variable Component (MVC) a permanent feature in calculating wages; and
- viii. Guidelines on other cost-cutting measures such as no paid leave.

NWC's Wage Guidelines

In order to accommodate broader wage policies in view of the impact of the crisis, the NWC, which traditionally meets annually in April or May (occasionally more frequently when the need arises), reconvened in January 2009 to review the May 2008 Guidelines, and released revised Guidelines which were applicable from January to the end of 2009.⁸⁴ The revised Guidelines recommended that companies may implement a wage freeze or wage cut in accordance with performance and prospects and in consultation with their unions/workers, so as to stay competitive and save jobs. The revision also recommended making use of variable components in the wage structure, in reference to the Tripartite Guidelines on Managing Excess Manpower, and highlighted the importance of long-term initiatives such as enhancing the employability of older and women workers, as well as promoting efforts to help low-wage, contract and informal workers. The Guidelines cover all employees, including management/executives and rank-and-file workers, regardless of whether they are unionized or not at company level, or whether they work in the public or private sector.

The most recent NWC guidelines applicable from July 2009 to the end of June 2009 are presented in Appendix 1. In it the Council recommended that employers, unions and the Government press on with the concerted action recommended in the NWC's previous 2009 Guidelines in order to cut costs, save jobs and enhance competitiveness, through measures such as wage freeze/cuts, other cost-cutting measures, promoting wage flexibility and productivity improvement.

⁸³ For full text:

http://www.mom.gov.sg/publish/etc/medialib/mom_library/corporate/files.Par.22355.File.dat/Updated%20Managing%20Excess%20Manpower%20Guidelines.pdf

⁸⁴ For full text, see:

[http://www.mom.gov.sg/publish/etc/medialib/mom_library/Workplace_Standards/files2.Par.72663.File.tmp/Revised%20National%20Wages%20Council%20\(NWC\)%20Guidelines%20for%2016%20January%202009%20to%2030%20June%202009.pdf](http://www.mom.gov.sg/publish/etc/medialib/mom_library/Workplace_Standards/files2.Par.72663.File.tmp/Revised%20National%20Wages%20Council%20(NWC)%20Guidelines%20for%2016%20January%202009%20to%2030%20June%202009.pdf)

Tripartite Advisory on Managing Manpower Challenges for Enhanced Competitiveness and Sustainability

Singapore's GDP in the third quarter of 2009 showed a strong rebound at a seasonally adjusted 14.9 per cent quarter-on-quarter. The number of retrenchments declined significantly amidst positive employment growth. In reflection of such positive signs of recovery toward the end of 2009, the Tripartite Advisory on Managing Manpower Challenges for Enhanced Competitiveness and Sustainability⁸⁵ was issued in November 2009, in order to help employers that no longer suffer from excess labour to gain further competitiveness and sustainability, while ensuring the applicability of the Tripartite Guidelines on Managing Excess Manpower for companies still being affected by the downturn. The Advisory recommended that:

- i) The Jobs Credit Scheme be extended for another two payouts till June 2010 at stepped-down rates;
- ii) Companies should continue to make use of SPUR till its expiration in December 2010;
- iii) Companies which recovered from the downturn should review whether cost-cutting measures are still necessary or could be gradually phased out, in consultation with employees and trade unions;
- iv) Companies which are recovering also should recognize employees' support and sacrifice by granting moderate wage adjustments and/or providing a one-off bonus payment; and
- v) Companies should enhance long-term business competitiveness through implementing flexible wage systems and raising business productivity through innovation, enhancing human resource management, raising service excellence, and research and benchmarking.

Tripartite Upturn Strategy Teams (TRUST Teams)

The TRUST Teams were also set up in 2009 as a combined effort on the part of the tripartite partners to help companies affected by the recession to cope with the downturn and prepare for the upturn. The TRUST Teams visit companies, including multinational companies and small and medium-sized enterprises, so as to understand the issues and provide solutions which are tailored to each company's needs. They advise companies on how to make the best use of the SPUR Programme. Initially six teams were organized, but the number had doubled to 12, to respond to the needs of unorganized SMEs with few interactions with the NTUC. To date, more than 100 companies had been assisted by the TRUST Teams, including Nestlé Singapore and Three Rifles International.⁸⁶ For example, with the assistance of the TRUST Teams, Nestlé Singapore, with a workforce of 456 employees, took advantage of SPUR subsidies, did not carry out layoffs, while successfully updating its workforce.

One of the TRUST Teams' initiatives outreaching to small- and medium-sized retail enterprises includes the case of Three Rifles Holdings, with 41 employees, which they helped to restructure its wage system to a more flexible one in order to prepare for future growth. Other changes made by the company include training staff to multi-task,

⁸⁵ For full text, see:

http://www.mom.gov.sg/Home/Documents/LRWD/Tripartite%20Advisory%20on%20Managing%20Manpower%20Challenges%20_final_.pdf.

⁸⁶ *tripartism@work*, Jan. 2010, No. 1.

implementing a compressed work week and reducing unnecessary work processes, following discussion with the tripartite partners in the TRUST Teams.⁸⁷

3.4 Major achievements of tripartite crisis recovery measures

Multiple crisis responses through tripartite cooperation made possible the significant achievements in respect of saving jobs. The economy has improved and total employment grew in the third quarter of 2009. Although GDP growth was negative for four consecutive quarters from the second quarter of 2008, it showed signs of a turnaround in two consecutive quarters from the second quarter of 2009: 8.2 per cent and 9.7 per cent respectively. The unemployment rates remained below the peak experienced in 2003 when the SARS outbreak hit the economy.⁸⁸ In 2003, however, GDP growth was more positive at 3.8 per cent.

According to the Government, among 2,000 companies from which it received feedback, two-thirds said they had no plans to carry out retrenchments. Among the remaining one-third, four out of five either postponed retrenchment decisions or reduced the number of affected workers.⁸⁹ A total of 264,000 workers participated in SPUR training between 1 December 2008 and 31 November 2009, of whom two-thirds (169,000) completed training. More than two-thirds of SPUR trainees were rank-and-file workers, while about one-third were professionals, managers and executives (PMETs).⁹⁰

The NTUC and its affiliated unions worked closely with employers to implement cost-cutting measures at the company level. As a result, from January to March 2009, a total of 68 unionized companies and 23,914 workers had gone through shorter work weeks or temporary layoffs in line with the Tripartite Guidelines.⁹¹ Also, through the e2i, they helped 33,000 workers to up-skill, re-skill or multi-skill to be ready for the upturn, resulting in the placement of 16,000 workers. By their efforts, 1,500 vacancies were created under flexible work arrangements through NTUC-WDS's "back2Work with U" programme. This programme helped enhance the employability of older workers so as to make companies prepared for new re-employment legislation which will come into force in 2012. They also reached out to 10,000 contract workers and educated them about training opportunities and fair employment rights. The NTUC has worked with service buyers and providers as well as tripartite partners, to promote a "Best Sourcing Initiative" in order to improve welfare and working conditions, including wages, provided to contract workers. In addition to these initiatives, the NTUC in 2009 disbursed \$23 million in over 175,000 handouts to union members and families to help them cope with the crisis. In 2009, for example, of 1,500 disputes which occurred at unionized companies, 70 per cent were settled without third party intervention.⁹²

The SNEF also has given briefings to more than 1,500 employers on the Tripartite Guidelines on Managing Excess Manpower (MEM Guidelines). It provided assistance for 180 employers in implementing the Guidelines up to March 2009. According to the SNEF, 80 per cent of the 4,000 companies which have participated in SPUR have fewer than 200 employees.⁹³

⁸⁷ Channelnewsasia.com, 1 Sep. 2009.

⁸⁸ MOM, *Labour Market Report, Third Quarter 2009*.

⁸⁹ MOM, 18 Jan 2010.

⁹⁰ WDA, 18 Jan 2010.

⁹¹ NTUC, *Labour Movement Annual 2009*, p. 65.

⁹² NTUC, 21 Jan 2010.

⁹³ SNEF, p.20.

3.5 Bipartite crisis recovery action: electronics and electrical sector

In order to give additional substance to the crisis recovery measures as described in the foregoing, we provide in this last section of Chapter 3, a synopsis of how a major company, through bipartite efforts within the context of the tripartite partnership, dealt with the effect of the crisis on jobs. The brief highlights how the company worked with the union to cope with the current crisis.

Generally, the electronics and electrical sector had been severely affected by the crisis. There were 4,000 workers retrenched and 26,000 people affected in this sector. Some workers had to go first because of non-renewal of their contract. When orders were down due to the financial crisis, one of the NTUC's affiliated unions, the United Workers of Electronic and Electrical Industries (UWEEI) worked with companies in the sector to minimize job losses. After close consultation with the UWEEI and its affiliated unions at the enterprise level, a number of firms had taken advantage of SPUR. Murata Electronics Singapore (Pte) Ltd was the first company to do so. Murata worked with the union to keep jobs, as reflected in the statement "management has to be the first to take the cut".

United Workers of Electronic and Electrical Industries⁹⁴

The United Workers of Electronic and Electrical Industries (UWEEI) is one of the largest unions in Singapore, with a membership of 52,873, in over 120 branches. In this sector as a whole, 60 per cent of workers are not organized. As a proportion of total membership, Singaporeans represent 45 per cent, while non-Singaporeans account for the remainder. The proportion of female members is 55 per cent and males 45 per cent. The key initiatives of the union are to:

- i) Engage in industrial relations including negotiating wages and other working conditions;
- ii) Reach out to non-unionized companies so to organize more workers;
- iii) Enhance the employability of workers by upgrading skills through a variety of means, including training provided by the NTUC's e2i as well as the use of SPUR;
- iv) Expand its outreach to contract workers, who represent a relatively large percentage in the sector and yet work under different terms and conditions from those of permanent workers, as well as to PMETs and younger workers; and
- v) Promote re-employment of older workers.

Through such initiatives, undertaken in close cooperation with the NTUC, bipartite relation works as a tool to implement national policies and strategies which are set out based on tripartite consultation among social partners.

Murata Electronics Singapore (Pet) Ltd⁹⁵

Murata Electronics Singapore is one of the factories established by Murata Manufacturing Company Ltd, an integrated electronic components manufacturer, founded in Japan in 1944. Since its establishment, Murata Manufacturing has pursued research and development in a broad spectrum of functional ceramic materials and their potential applications, and has introduced to the market a diverse range of electronic components which effectively exploit the characteristics of ceramic materials. Murata's overseas policy is to produce and sell its products in the market that will use these products.

⁹⁴ UWEEI, 20 Jan. 2010.

⁹⁵ Murata, 20 Jan. 2010.

Established in October 1972, Murata Electronics Singapore serves as one of the largest chip monolithic ceramic capacitor factories in the world. Murata Singapore had 1,282 employees as of the end of December 2009. Of its total workforce, about two-thirds were 20-39 years old. Half of its employees had worked for less than 1 year to 5 years, followed by 6-10 years (17.4 per cent), 11-15 (10.1 per cent), 16-20 (10.4 per cent), less than 20 (11.2 per cent). The high proportion of employees whose length of service is less than 5 years is due to a large number of contract workers from overseas with short-duration contracts engaged in work at the production site. Of the total workforce, 54.2 per cent were local employees and 45.8 per cent had a work pass. By nationality, the proportion of Singaporeans was 28.6 per cent, followed by Malaysian (34.9 per cent), Chinese (22.3 per cent), Indian (8.3 per cent), and others (5.9 per cent). Of the entire Murata workforce, 50 per cent to 60 per cent are unionized.

The financial crisis severely affected Murata's production scale. Sales dropped sharply, resulting in the company's operational capacity being reduced to the lowest level ever, equivalent to 15 per cent of normal capacity. Murata's priorities were to preserve jobs and improve employee morale. Murata thus became the first unionized company to send its core employees on the SPUR programme. The company worked closely with the UWEEI and the e2i to ensure that members of the core workforce obtain the right skills to re-position themselves in the company. So as to preserve jobs, Murata went on temporary shutdown with consolidation of production in one location. In consultation with the union and the MOM, Murata changed the way of calculating built-in overtime work from a monthly to a three-monthly basis for 12-hour shift operators. Processes were also innovated in order to eliminate wastage. Murata works on a 12-hour work shift 24/7 and had to declare more off days during the critical period. Since such a slowdown affects the pay levels of employees, this measure was introduced with the agreement of those affected and the union as well. Senior management also took a sharp pay cut so as to demonstrate that everyone in the company shares the pain equally.

Although Murata saved as many as 300 jobs and the scale of downsizing was minimized with all of these efforts, its workforce has been reduced by 22.5 per cent in total: first by 13.2 per cent through early termination of contracts, and second by 9.3 per cent through retrenchment. The company had to go through the first ever retrenchment since its establishment. However, even for those who were retrenched, Murata worked with the e2i following consultation with its trade union. They paid for retrenched employees to attend the e2i retraining courses, which aim at providing skills mainly in security, landscaping and retail.

With regard to those who were retrained, the key advantage for Murata of using the e2i was that the training was customized to suit Murata's requirements and needs, based on close communication and consultation with the e2i. Murata also carried out one-to-one interviews with workers, after their training to find out if they had any concerns or issues to raise so as to help them transit back to their work.

Murata's second challenge was how to mitigate negative impacts in terms of the remaining employees' morale. In this regard the company took the initiative to change its top-down corporate culture to one that respects employees' own thinking, independence and ambitions so as to increase their satisfaction level. It also tried to strengthen team spirit, for instance by organizing sports events, resulting in better communication. On top of these initiatives, the use of the Jobs Credit Scheme, which enables employers to reward and motivate all employees going through a tough time by providing a \$300 lump-sum payment, also contributed to improving employee morale.

The critical point is that all of Murata's change initiatives had been undertaken in close consultation and dialogue with the trade union, UWEEI, and e2i. All the parties involved quickly acknowledged the issues Murata confronted and resolved them together in various ways. Bipartite trust and mutual understanding, which have been built over the

years through different channels such as labour-management committees and small group activities, were the keys which made this possible.

Murata's crisis recovery case demonstrates the success of a mutually reinforcing tripartite and bipartite dialogue interface, in which crisis measures agreed through the national tripartite process are effectively implemented to meet the objectives.

4. Conclusions

Tripartite social dialogue in Singapore is dynamic, effective, pragmatic, operational, and functional, not only from a theoretical point of view but also from practical and operational perspectives. There are a variety of means that the tripartite partners have used over the years to find common solutions, creating win-win situations through various forms of social dialogue. With more than 40 years of experience of tripartite dialogue, each of the three actors has vested trust and respect in each other, and operated on the basis of good faith and mutual gain. The synergies that had been built upon these attributes over the years have strengthened the functioning of tripartite cooperation and the resulting social partnership.

When consensus is reached on an issue, whether in the form of advisories, guidelines, or any other means chosen to give effect to the will of the tripartite partners, each party is responsible for ensuring that these are implemented in practice. This indeed is a highly instructive and innovative way of putting social dialogue into action for concrete outcomes. The critical element of the success of tripartite social dialogue in Singapore is thus the way that the members of the tripartite communities are consulted and listened to, so that the decisions taken by the leaders reflect the consensus of these communities which assures effective implementation.

It is also evident that the whole practice of social dialogue is a fundamental and basic contribution to the development of Singapore. Social dialogue actually works as a positive and irreplaceable method of creating a climate of industrial harmony leading to favourable investment climate, economic growth, social and political stability, higher standard of living and better quality of life for Singaporeans. Also, it creates a basis for consensus on how the country should cope with difficult times. This has nurtured solid tripartite cooperation and relationship built over the years and brings desirable results.

Although the tripartite process first and foremost addresses employment relations and broad issues of labour market governance, the experience in Singapore also imply that the macroeconomic policy-making process underpinning social dialogue is a key to its success. As demonstrated, the tripartite partnership in the country generally involves several government authorities, such as in the NWC, in order to find innovative and comprehensive solutions to issues which affect or influence labour market processes. The Economic Strategic Committee (ESC) was also formed recently to address broader economic matters; it discusses long-term developmental strategies to strengthen the economy. As an overarching tripartite framework, the Singapore Tripartite Forum (STF) formed in 2007, which has been used to broaden, deepen and strengthen the spirit of tripartism through a more structured framework, will certainly enhance the degree of coordination between different policy areas. In other words, the early ‘transition’ of the tripartite process from exclusive labour market concerns to the broader context of macroeconomic governance that impacts on the former distinguishes the tripartite system in Singapore and accounts for its durability and sustainability as a viable governance tool. On the other hand, limiting the scope of tripartite cooperation to the narrow confines of employment relations policy, or depending entirely on the mandate of the responsible government authority would achieve very limited results and might face a serious challenge of sustainability.

Sustainable social partnership is equally a function of how effectively and appropriately the partnership is able to respond and adapt to the challenges that are constantly emerging, and the nature of the problems faced. This is related to the extent to which the partners are willing or able to innovate and find creative means to improve the functioning of the labour market. Indeed, social dialogue developments over years in Singapore have shown that every new challenge has been a new test for the strength of tripartite dialogue. A look at how tripartite dialogue has been elaborated during each of the various economic downturns, including the current global crisis, enhances appreciation of

the critical role of a joint vision and the commitment of all the partners to see the realization of agreed policy interventions in dealing with the challenges such crises pose. The tighter the tripartite commitment, the faster and easier is the crisis recovery. By finding prompt means through negotiation in various tripartite bodies to implement a set of innovative crisis recovery schemes in a timely manner, the impact of the crisis on the labour market has been effectively minimized.

Another critical implication drawn from Singapore is that institutionalization with a legal foundation is not necessarily a precondition for effective functioning of a social partnership. A flexible tripartite process through frequently organized regular and ad hoc tripartite meetings, joint activities, and informal communication has been proved in Singapore to have significantly contributed to deepening mutual trust and understanding, and facilitating agreements among the tripartite partners; these are key to the practical functioning of the tripartite process. While the creation of a well-defined institutional framework can help in developing and strengthening the culture of consultation and participation, the very functioning and quality of effective tripartite social dialogue depend on the degree of coordination or the facilitation capacity between the three parties and, more importantly, on their level of representativeness in terms of each group of interests. Here, what matters is whether the real voices of each group, and in particular those of workers and employers, are appropriately reflected in the tripartite process. Without this critical element of process in place, there may be a risk that the mere existence of an institution may turn out to be nothing but pie in the sky. Should an institutional framework serve practical functioning of the tripartite process, it is an advantage to put it in place for sustainability of tripartite partnership in labour market and an indispensable attribute of good governance.

A key to the success of Singapore's social dialogue equally lies in its influential interface with political initiatives. In some countries, representative democracy through social dialogue has been challenged in a broader context of politics, involving a change of government or leadership in any of the parties, which could change the context and environment for, or even lead to a collapse of social dialogue. Such risks often coincide with reforms of the entire macro-economic policy in efforts of deregulation or privatization under the accelerating globalization process. When consensus in society on economic policies is achieved through political process, it may result in better economic governance, but it may also result in populist governments and facile economic policy which can negatively affect labour market governance. Although the will of the people is manifested in elections through political process, social dialogue indistinguishable from tripartism has a critical role to play in coordinating and facilitating critical interests in a practical manner to design and implement policies agreed upon in mutual consensus. Here, the entire national vision of tripartite partnership in different forums, including political initiatives, contributes to assuring the sustainability and strength of social dialogue.

Finally, the outcomes of tripartite dialogue bear fruit and bring about tangible results through its extensive interface with sectoral- and enterprise-level bipartite relations, as demonstrated in the Murata case. As the Global Jobs Pact emphasizes, in order for the national-level tripartite response to impact on the well-being of workers, it must have a clear relevance to the bipartite relations at the enterprise or sectoral level. The national tripartite relations and the bipartite relations are mutually reinforcing and inseparable processes in order to put into practice what is embodied through tripartite dialogue. In most countries, this goal is primarily achieved through the collective bargaining process, by which labour and management organize work, conditions and develop ways to achieve cooperation for enterprise performance and sustainability. In this regard, the role that Singapore's recent tripartite initiatives play in addressing issues regarding contract workers – in other words, the issue of the employment relationship – is critical.

Although this paper primarily focusing on the tripartite dialogue process, has highlighted one case of tripartite and bipartite processes in coping with the current crisis, further in-depth research is necessary in order to help understanding how tripartite consensus is discussed and realized through enterprise-level collective bargaining practices.

Appendix. NWC Guidelines for 2009-2010⁹⁶

1. The National Wages Council (NWC) has completed its deliberations on wage and wage-related guidelines for 2009-2010.

Economic, labour market, productivity, wages and inflation trends, 2008

2. Singapore's economic growth slowed to 1.1 per cent in 2008, significantly lower than the 7.8 per cent growth in 2007. In particular, the fourth quarter of 2008 contracted by 4.2 per cent on a year-on-year basis.
3. Total employment growth of 221,600 in 2008 was also lower than the growth of 234,900 in 2007. With the economy weakening towards the end of the year, the seasonally adjusted unemployment rate rose to 2.5 per cent (overall) and 3.6 per cent (resident) in Dec. 2008, up from 2.3 per cent and 3.4 per cent respectively in Sep 2008. Redundancies also hit a high of 9,410 workers in the fourth quarter of 2008, making up more than half of the 16,880 redundancies in the whole of 2008.
4. Meanwhile, overall labour productivity declined sharply from -0.8 per cent in 2007 to -7.8 per cent in 2008 due to slower GDP growth and strong employment gains in the first half of 2008. This is the second year that labour productivity has contracted.
5. The consumer price index (CPI) rose by 6.5 per cent in 2008, compared to 2.1 per cent in the previous year. This was mainly due to higher growth of global oil and food prices in the first half of the year, but these began to moderate in the second half of the year.
6. With the economic downturn and increased business costs, wage increases granted were more restrained last year. Nominal total wages rose by 4.2 per cent in 2008, lower than 5.9 per cent in 2007. This was the result of a basic wage gain of 4.4 per cent (compared to 4.3 per cent in 2007) and a 2.1 per cent decline in bonus payout of 2.31 months in 2008 (compared to 2.36 months in 2007). After adjusting for the high inflation in 2008, real total and basic wage in 2008 contracted by 2.3 per cent and 2.1 per cent respectively.
7. In 2008, productivity fell sharper than the fall in real basic wages. To be sustainable and to maintain cost competitiveness, wage increases, especially built-in wage increases, should lag productivity growth. For the first time since 2002, cumulative gains in real basic wages have outstripped cumulative productivity gains. Nonetheless, taken over a longer period, the growth in productivity still slightly exceeded real total and basic wages.
8. Overall Unit Labour Cost (ULC) increased for the fourth straight year, by 9.6 per cent in 2008, higher than the 5.2 per cent increase in 2007, reflecting largely the contraction in productivity in 2008.

Outlook for 2009

9. The GDP in the first quarter of 2009 has contracted by 10.1 per cent on a year-on-year basis, deeper than the 4.2 per cent contraction in the fourth quarter of 2008. Given the sharp deterioration of the economic performance in the first quarter of 2009, and the weak global outlook for the rest of the year, MTI revised downwards in April 2009 its forecast for 2009 GDP growth from -9.0 per cent to -6.0 per cent, which is lower than

⁹⁶ Source:

http://www.mom.gov.sg/publish/etc/medialib/mom_library/corporate/files.Par.65977.File.dat/NWC%20Guidelines%20-%20Annex.pdf

the –5.0 per cent to –2.0 per cent forecast in January 2009. Notwithstanding recent optimism expressed by some analysts, the economic outlook remains uncertain.

10. Reflecting the sharp deterioration in economic conditions, preliminary estimates show that redundancies rose to 12,600 in the first quarter of 2009, higher than the 9,410 in the fourth quarter of 2008. The seasonally adjusted unemployment rate rose to 3.2 per cent (overall) and 4.8 per cent (resident) in March 2009. With the economy expected to remain weak for the rest of 2009, MOM expects the labour market to soften further, with retrenchments and unemployment to be significantly higher than in 2008.
11. However, CPI inflation has started to moderate. In the first quarter of 2009, CPI went up by 2.1 per cent on a year-on-year basis, lower than the 6.6 per cent in the same period a year ago and the high of 7.5 per cent in the second quarter of 2008. CPI is forecast to be between –1 per cent and 0 per cent in 2009.
12. Given the deep global recession, the uncertainty in the economic outlook coupled with the impact of a possible Influenza A (H1N1-2009) pandemic, we need to be prepared for the eventuality of a prolonged downturn. **The NWC therefore recommends in the 2009/2010 wage guidelines that employers, unions and the government press on with concerted actions recommended in NWC's January 2009 guidelines to cut costs, save jobs and enhance competitiveness.** This could be done through management leading by example in the following areas:
 - Wage freeze or cut;
 - Implementation of other cost cutting measures and initiatives to cope with the downturn;
 - Enhancement of wage flexibility; and
 - Improvement in productivity

Persist with "Cut costs to save jobs"

13. **The NWC strongly recommends that for companies whose business, profitability and/or prospects are affected by the economic downturn, they could, in consultation with their unions/workers, implement a wage freeze or wage cut in line with their performance and prospects, in order to help companies stay competitive and save jobs.**
14. **Companies which perform well should reward their workers with moderate wage increases, preferably in the form of variable payment, so that their long-term cost competitiveness would not be affected.**

Implement other cost cutting measures

15. The NWC notes that the Tripartite Guidelines on Managing Excess Manpower (MEM Guidelines) have recently been updated to ensure they stay relevant to help companies and workers manage any prolonged downturn. **The Council endorses the updated Tripartite Guidelines and strongly urges companies with excess manpower to implement the various recommended measures such as shorter work week, temporary layoffs, no pay leave, and other work arrangements as alternatives to retrenchments. Workers should work together with employers to implement these measures so as to cut costs and save jobs.**
16. In implementing such measures including wage freeze or cut, **management is to lead by example.**

Press on with downturn initiatives to enhance resilience

17. Since the last NWC guidelines were released in January 2009, the government has announced a \$20.5 billion Resilience Package to help reduce costs and save jobs. The package includes the Jobs Credit Scheme, Workfare Income Supplement (WIS) Special Payment to help low wage workers, and various tax concessions. The MEM Guidelines have been updated, and the Skills Programme for Upgrading and Resilience (SPUR) has also been enhanced to help more professionals, managers, executives and technicians (PMETs).
18. **The Council notes that these measures have been well received by employers and unions/workers, and are making a positive impact in helping companies and workers cope with the downturn, manage costs and minimise job losses.** Based on feedback from companies collected by the tripartite partners at end March 2009, some 66 per cent of the 1,900 companies that responded indicated that they had no plans to carry out any retrenchment exercise. Of the remaining 34 per cent which had planned to carry out retrenchments, 4 out of 5 indicated that they had postponed their retrenchment decisions or reduced the number of workers affected as a result of the above measures, with only 1 out of 5 companies reporting that they had proceeded or would be proceeding with their retrenchment plans notwithstanding the downturn measures. **The NWC urges employers and unions/workers to continue to tap on the various tripartite measures and initiatives available to manage the impact of the downturn, reduce costs and minimise job losses.**
19. The NWC notes that there are still jobs available in some sectors which are doing well, growing or remain resilient to the current downturn. Hence, while unemployment has risen, the economy is also undergoing significant restructuring with new jobs created. In this regard, **the NWC recommends that the government continue to expand the Continuing Education & Training (CET) infrastructure. Workers are encouraged to be flexible and be prepared to upgrade current skills and learn new skills. Employers are encouraged to tap on the CET system and the various assistance measures such as SPUR to upskill their manpower and build new capabilities.**
20. **Those who are seeking employment are advised to adjust their expectations and make career switches, if necessary, to take up available jobs. Employers too, should be open to taking in workers with little or no relevant experience, and set appropriate employment terms reflecting the market realities of their sectors.** This would ensure that the growth sectors could recruit the necessary manpower, while enabling job seekers to take up meaningful employment in these sectors. There are many schemes under SPUR to help employers recruit and train new workers, such as SPUR-JOBS and Professional Skills Programme (PSP)-Traineeship. Employers should leverage fully on such schemes.
21. Besides implementing the above measures, **the NWC also urges the government and companies to continue to look at ways to reduce non-wage costs so as to lower the overall business costs and enhance Singapore's competitiveness.**

Enhance wage flexibility

22. **Companies are encouraged to make use of components of the flexible wage system, including the Monthly Variable Component (MVC), to manage total wage cost.** MOM's 2008 Survey on Annual Wage Changes indicates that companies with MVC in their wage structure are better able to gain employees' acceptance of a wage cut if it has to be implemented, compared to companies without MVC. To encourage more companies to implement MVC, **the NWC endorses the recommendation in the MEM guidelines that companies could implement a cut in basic wages by introducing it as a reduction in MVC.** This would enable these companies to take the opportunity to introduce MVC and make their wages more

flexible. Companies doing so should work with the unions/workers to set guidelines on restoring the MVC from future wage increases or adjustments when businesses recover.

Improve productivity

23. The NWC notes with concern that labour productivity growth has shown a downward trend over the last four years, and labour productivity has in fact contracted in the last two years. This could affect longer term competitiveness. There is a pressing need to address this issue so that future wage increases can be supported by productivity gains, and be sustainable and competitive over the longer term. In this regard, **the Council strongly urges companies to ride on this downturn to enhance their productivity**, through innovation, best sourcing, service excellence and developing the workforce to be highly skilled, productive and flexible. Companies can improve the skills of their workforce by tapping on SPUR.

Continue with longer term initiatives

24. Notwithstanding the downturn, **the NWC recommends that the tripartite partners continue to push ahead with initiatives such as enhancing the employability and employment of older workers, bringing more women back to the workforce, and enhancing efforts to help low wage, contract and informal workers**. We should not lose sight of these important longer term initiatives that would help to maximise the potential of our workforce, as well as improve employability and income of workers.

Prepare for upturn

25. **The Council urges companies to maximize the use of the current slack manpower conditions to improve the skills of their workforce**. This is critical to raising their competitiveness when the global economy recovers. Companies and workers must not delay in participating in SPUR to upgrade skills and capabilities so that they would be in a stronger position for the recovery.

Application of NWC's Recommendations

26. The NWC recommendations cover the period from 1 July 2009 to 30 June 2010.
27. These recommendations are applicable to all employees – management, executives and rank-and-file employees, unionised and non-unionised companies in both the public and private sectors.
28. To facilitate wage negotiation, companies should share relevant information on company performance and business prospects with employees and their representatives.

Conclusion – Strong tripartism to overcome adversity

29. Singapore's pragmatic and pro-active response to the recession, supported by our strong tripartite spirit, has brought about significant and positive impact on companies and workers. The various tripartite initiatives implemented over the past few months have resulted in many companies implementing alternative measures to retrenchment, therefore minimising job losses to workers.
30. The outlook remains uncertain. However, the NWC is confident that the solidarity shown by the tripartite partners in working together to address the downturn will continue to prevail and enable the smooth implementation of the NWC guidelines. This high level of co-operation, trust and understanding among the government, employers and unions will give confidence to businesses and investors, and better

differentiate Singapore from other economies. More importantly, it will enable Singapore to emerge stronger, more robust and more resilient while helping to minimise job losses, and strengthen our competitiveness and capability for a better future for all.

31. The NWC looks forward to the Government's acceptance of its recommendations.

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