The Singapore National Employers Federation (SNEF) and Singapore's Industrial Relations

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Publication Date:
2010

DOI:
https://doi.org/10.26190/unsworks/22925

THE UNIVERSITY OF
NEW SOUTH WALES

The Singapore National Employers Federation (SNEF) and Singapore's Industrial Relations

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A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy in the School of Organisation and Management, at the University of New South Wales, Australia.

February 2010

ORIGINALITY STATEMENT

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ABSTRACT

This thesis examines the formation, development, role and behaviour of the Singapore National Employers' Federation (SNEF). Its focus is primarily the field of labour management. It addresses key issues in the role of the SNEF from its formation in 1980 to 2004, in the institutional context of Singapore's politics, economic development and industrial relations. This longitudinal study makes a substantial original contribution to understanding Singapore's leading national employers' association, and is a pioneering study of a national employers' association in East Asia.

The thesis is a qualitative case-study, using fieldwork interviews, primary documents and the secondary literature as data sources. Through the critical event method, the work focuses analysis on key junctures for the SNEF's development and change during the period examined. In addition, the author employs the Sheldon and Thornthwaite (1999) model of employers' association strategy in framing the analysis of the thesis' central questions, and in examining SNEF's strategic decisions in response to changes in its external environment.

By analysing how the SNEF's external roles and internal relations changed during each period, the research draws attention to the dynamic nature of this employers' association in the rapidly changing conditions marking Singapore's development. Given the central role of the People's Action Party (PAP) in Singaporean society, a central theme of this thesis is how the SNEF balances political pressures from Singapore's government-dominated corporatist system, with the needs of its diversified membership. The narrative core of the thesis identifies five distinct periods of Singaporean industrial relations – through the lens of the SNEF – reflecting larger economic developments through which the government guided the economy and society. The thesis finds that, while the SNEF is an independent and apolitical organisation, it is nevertheless deeply embedded in the Singaporean variant of corporatism. Accordingly, the SNEF's role and behaviour are inherently guided by the PAP's ideology of pragmatism and, in Singapore, sectoral interests deferred to and institutionally served national interests.

ACKNOWLEDGEMENTS

This thesis represents a four-year unprecedented personal journey of intellectual and emotional adventure. My transition to become a full-time student – after 10 years in the corporate world – was particularly challenging but fulfilling. The two most important people who have accompanied me are my supervisors: Associate Professor Dr Peter Sheldon and Dr David Morgan. I thank them for their continued support and for going beyond their official roles as supervisors. They are also my esteemed mentors, friends and colleagues. I shall always remain humbly grateful to them. My special thanks to Nina Jaffe for proof reading this thesis.

I also wish to thank Post Graduate Coordinator, Professor Dr Chris Jackson; Head of the School of Organisation & Management and Professor Dr Steve Frenkel for securing me the UNSW PhD Completion Scholarship and the Sasakawa Young Leaders Fellowship, which provided invaluable financial support during the final stages of my study.

Support from my peers, colleagues and friends have been invaluable, especially through the difficult times. Special thanks must go to my closest friends, Ng Lilian and Edmund Lee; Christina Chia; my peers at the University of New South Wales: NanFeng, XiaoLi, Pom, Kate, Chen Shu, Daniel, Stephanie, YiQiong, Jane, John, FeiYi, XiaoBei, ChongXin, YaQing, SiXin, QinDi, Mahesh, In Jun, Janis, Corina, Maria, Senia, Andrea, Patrick, Zahid; faculty staff: Dr Nancy Kohn, Associate Professor Dr Chungsok Suh, Professor Dr Prem Ramburth, Associate Professor Dr Julie Cogin, Professor Dr Lucy Taksa, Dr Ian Hampson, Dr Wang Yue, Associate Professor Dr Christopher Wright, Associate Professor Dr John O'Brien and, last but not least, the

School of Organisation & Management's administrative staff: Terry O'Callaghan, Robyn Tompkins, Yazmin Seremley, Agus and, Fran Prior.

I am deeply indebted to a number of important people who are instrumental in my case study of the SNEF. A special heartfelt thanks goes to: SNEF staff, Shaun Hou, Chua Ker Sin; SNEF Executive Director, Koh Juan Kiat; SNEF President, Stephen Lee; SNEF Council members, Boon Yoon Chiang, Steven Goh and Alexander Melchers; SNEF IRP chairmen, Chia Boon Cher and Victor Kow; MOM Divisional Director, Industrial Relations and Workplaces, Ong Yen Her; NTUC ex-Secretary General and Minister, Prime Minister's Office, Lim Boon Heng; NTUC Director of Industrial Relations, Chiam Hui Fong; SIEU President, Terry Lee; Executive Director of Singapore Compact for CSR, Thomas Thomas; ex-IAC President, Tan Boon Chiang; ex-CEO SNCF, Leow Peng Kui; Head, Admin & People's Development, Keppel Offshore & Marine Technology Centre, KS Thomas; and last but not least, POU President Tan Hoon Kiang and ex-POU General Secretary, Tan Teck Kheng.

I would like to thank, my girlfriend, Dou Yun, who is always there for me even though she is doing her own PhD. As well I would like to thank my sister, Irene.

Finally, I would like to dedicate this thesis to my parents who strongly supported my difficult decision to leave corporate life to pursue my lifelong dream of obtaining a PhD. Without their love and support, I would never be able achieve this lifelong dream.

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LIST OF ABBREVIATIONS

ACE	Asean Confederation of Employers
AIP	Approved-In-Principle
AVC	Annual Variable Component
AWS	Annual Wage Supplement
BERI	Business Environment Risk Intelligence
BSP	Barisan Socialist Party
CBWS	Competitive Base Wage System
CEO	Chief Executive Officer
CPF	Central Provident Fund
CSC	Committee on Singapore's Competitiveness
DCN	Distributed CareerLink Network
EDB	Economic Development Board
EDC	Executive Development Centre
ERC	Economic Review Committee
FDI	Foreign Direct Investment
FIEs	Foreign Investment Enterprises
FWS	Flexible Wage Systems
GDP	Gross Domestic Product
GLC	Government Linked Corporations
HCM	Human Capital Management
HDB	Housing Development Board
HPB	Health Promotion Board
HRD	Human Resource Development
HRM	Human Resource Management
IAC	Industrial Arbitration Court
ICT	Information Communication Technology
IE Singapore	International Enterprise Singapore
ILO	International Labour Organisation
IRP	Industrial Relations Panel
JOEA	Japan Overseas Enterprises Association
KPIs	Key Performance Indicators

LCD	Liquid Crystal Display
LETAS	Local Enterprise Technical Assistance Scheme
LMR	Labour-Management Relations
MAS	Monetary Authority of Singapore
MEF	Malaysian Employers' Federation
MNCs	Multinational Corporations
MOL	Ministry of Labour (renamed MOM in April 1998)
MOM	Ministry of Manpower
MTI	Ministry of Trade and Industry
MVC	Monthly Variable Component
NEC	National Employers' Council
NIEs	Newly Industrialised Economies
NMP	Non-Nominated Member of Parliament
NPB	National Productivity Board
NTUC	National Trades Union Congress
NWC	National Wages Council
OHS	Occupational, Healthy and Safety
PAP	Peoples' Action Party
PIEU	Pioneer Industries Employees' Union
PMBS	Portable Medical Benefits Scheme
PSB	Productivity and Standards Board
QCC	Quality Control Circle
SARS	Severe acute respiratory syndrome
SATU	Singapore Association of Trade Unions
SBF	Singapore Business Federation
SCCCI	Singapore Chinese Chamber of Commerce and Industry
SDF	Skills Development Fund
SEF	Singapore Employers' Federation
SHRM	Strategic Human Resource Management
SIA	Singapore Airlines
SIEU	Singapore Insurance Employees' Union
SILO	Singapore Industrial Labour Organisation
SMA	Singapore Manufacturers' Association
SME	Small and Medium Local Enterprise

SNCF	Singapore National Cooperatives' Federation
SNEF	Singapore National Employers' Federation
SPA	Singapore People's Alliance
STUC	Singapore Trades Union Congress
TDB	Trade Development Board
TFES	Training for Employment Scheme
TMIS	Transferable Medical Insurance Scheme
UMNO	United Malay National Organisation
UPP	United People's Party
US	United States of America
WHO	World Health Organisation
WHP	Workplace Health Promotion Programme
WITs	Work Improvement Teams

CHRONOLOGY OF SINGAPORE MODERN HISTORY AND INDUSTRIAL RELATIONS DEVELOPMENT

Period 1: Early Employers' Association and the Foundations of a National Industrial Relations System, 1945-1971

1940 *Trade Unions* Ordinance enacted

1941 *Trade Dispute* Ordinance enacted

Japanese occupation begins

1945 Japanese occupation ends

General Labour Union formed

Appointment of the Trade Union Adviser Malaya

1946 Singapore becomes a Crown Colony

Registration of trade unions begins

1948 State of Emergency declared

The Singapore Federation of Trade Unions deregistered

The Federation of Industrialists and Traders formed

1951 The Singapore Trades Union Congress formed

1953 The Federation of Industrialists and Traders changed name to the Singapore Employers' Federation (SEF)

1954 The PAP inauguration

1954 The Singapore Factory and Shop Workers' Union formed

National Service Ordinance enacted

1955 The PAP won 3 of 25 elected seats. The PAP began as an opposition party with Lee Kuan Yew as opposition leader. The Labour Front won 13 seats and was the governing party

The Singapore General Workers' Union formed

The Central Provident Fund set up on 1 July

The Hock Lee Bus dispute

1957 The Singapore Factory and Shop Workers' Union deregistered

1959 The PAP defeated the Labour Front and was elected as the government

The PAP won 43 of 51 seats, with 53% of the vote (since 1959, voting in Singapore has been compulsory)

1960 The *Industrial Relations* Ordinance passed

The Industrial Arbitration Court was established in October

The Housing Development Board established

1961 The Economic Development Board established in August

Schism in the People's Action Party led to the formation of the Barisan Sosialis Party

The Singapore Trades Union Congress (STUC) dissolved

Two new labour union groups were formed – the PAP-backed National Trades Union Congress (NTUC) and the Barisan Sosialis Party-dominated Singapore Association of Trade Unions (SATU)

1962 The Indonesia-Malaysia confrontation began

1963 The Federation of Malaysia formed

Pro-communists union leaders (including Lim Chin Siong) detained in Operation Cold Store

The Singapore Association of Trade Unions (SATU) denied registration

The PAP returned to office in a general election

The PAP won 37 of 51 seats, with 47% of the vote (opposition votes were spilt between the Barisan Sosialis Party and the United People's Party)

1964 The National Trades Union Congress (NTUC) registered on 8 January

Beginning of symbiotic relations between the NTUC and the PAP

Major racial riots (21July and 2 September)

1965 Singapore gained independence from the Federation of Malaysia, 9 August

Singapore joined the UN on 21 September

The National Employers' Council (NEC) formed

1966 Singapore became a full member of ILO

Racial riot at an army training depot on 1 February

Indonesia-Malaysia confrontation ended on 28 May

1967 Singapore co-founded the ASEAN on 8 August

The Public Daily-Rated Cleansing Workers' Union deregistered

Racial situation deteriorated rapidly in Malaysia after Singapore's separation - in November, racial riots broke out in Penang, a Chinese-majority Island in Malaysia

Amendment of the National Service Ordinance in February (originally passed by the British in 1952) aimed at boosting Singapore's defence and security

1968 The start of Singapore's First Industrial Revolution

The PAP returned to office in a general election

The PAP won 37 of 51 seats, with 47% of the vote (opposition votes were spilt between the Barisan Socialist Party and the United People's Party)

The British announced the withdrawal of British troops in January – British military spending estimated at 20% of Singapore GDP, Singapore not only faced massive unemployment (30,000 jobs in direct employment and 40,000 jobs in support service). It also meant the lost of security

Two Indonesian commandos convicted of bombing outside the MacDonald House during the Malaysia-Indonesian Confrontation period were hanged on 17th October – following an uneasy period with Indonesia

Amendment to the *Industrial Relations* Act (1968)

The *Employment* Act (Cap 91) enacted

The NTUC suffered big drop in membership

1969 The NTUC 'Modernisation' seminar

Tense racial situation spilled over to Singapore following bloody race riots (between Chinese and Malays) in Malaysia's Capital Kuala Lumpur on 13 May

1970 The First NTUC cooperatives formed

Union dues check-off permitted

1971 Total withdrawal of British Military Force in December – except for a single British battalion as part of the FPDA (Five Powers Defence Arrangement)

Period 2: Employers, the NWC and the First National Corporatist Platform, 1972-1979

1972 The PAP returned to office in a general election

The PAP won all of the seats, with 69% of the vote

Singapore first Tripartite Committee (the National Wages Council) formed on 7th February

The NPB replaces the National Productivity Centre

1973 The Oil Shock

1975 The MOL adopts 'Preventive Mediation'

Launching of the National Productivity campaign by NPB

1976 The PAP returned to office in a general election

The PAP won all of the seats, with 72% of the vote

1977 The Singapore Labour Foundation (SLF) established

Last legal strike in Singapore for next nine years

1978 The National Trades Union Congress amends its constitution to make cadre members eligible for appointments to the Central Committee

1979 The start of Singapore's Second Industrial Revolution

Lim Chee Onn appointed to the NTUC Secretary-General and to the Cabinet

The National Wages Council begins corrective (high) wage policy to accelerate Singapore Economic Restructuring Process

The Enactment of the *Skills Development Levy* (SDL) Act

The Skills Development Fund (SDF) established in October with the primary objective of encouraging employers to invest in skills upgrading of Singapore's workforce

Period 3: The SNEF and its Early Years –Establishment of the National Corporatist Institutional Framework, 1980-1986

1980 The SEF and the NEC amalgamate to form the SNEF

The SEF ex-President Jack Chia elects as the SNEF President

The NEC ex-President Stephen Lee elects as the SNEF Vice President

The SEF Ex-Executive Director Brian G Boggars appointed as the SNEF Executive Director

The PAP returns to office in a general election

The PAP won all of the seats, with 77% of the vote

The Singaporean work habits scrutinise

The Singapore Airlines pilots work-to-rule

1981 Restructuring of industrial unions begun

The Workers' Party wins a seat in a by-election

The NWC recommends a two-tier wage increase

The emulation of the Japanese industrial relations model

The (Tripartite) Committee on Productivity formed

1982 The National Trades Union Congress commits itself to house unionism

The *Trade Unions* (Amendment) Act passed

Tan Peng Boo replaces Brian G Boggars as Executive Director of the SNEF

1983 The Steering Committee on Labour Management Cooperation formed

Ong Teng Cheong replaced Lim Chee Onn as Secretary-General of the NTUC

1984 The Task Force on Female Participation in the Labour Force formed

The PAP returned to office in a general election

The PAP won all except 2 seats, with 65% of the vote

Government immigration policy looks to assimilable cultures

The *Employment* (Amendment) Act passed

1985 Economic recession

The Economic Review Committee (ERC) set up to revive the Singapore economy from recession and identify new directions for its future growth

1986 The Tripartite NWC Sub-committee on Wage Reform formed

First legal strike since 1977 (and the last strike in Singapore to date)

Period 4: The SNEF and Consolidation of the National Corporatist Institutional Framework, 1987-1997

1987 Commencement of a decade of growth

1988 The Task Force on Job Hopping formed

Public Sector adopted the Flexible Wage System (FWS) on 1 July

The PAP returns to office in a general election

The PAP won 80 of 81 seats, with 63% of the vote

Stephen Lee replaces Jack Chia as President of the SNEF

1990 PM Lee Kuan Yew hands over leadership to PM Goh Chok Tong on 28 November

1991 The PAP returns to office in a general election

The PAP won 36 of 40 contested seats, with 61% of the vote

1993 The Tripartite Review Committee on Flexible Wage System (FWS) formed

Lim Boon Heng replaces Ong Teng Cheong as Secretary-General of the NTUC

1994 The Tripartite Review Committee on the Employment Act formed

1995 The Tripartite Committee on the Extension of the Retirement Age formed

Koh Juan Kiat replaces Tan Peng Boo as Executive Director of the SNEF

1996 The Productivity and Standards Board (PSB) form by the merger of the National Productivity Board (NPB) and the Singapore Institute of Standards and Industrial Research (SISIR) in April.

1997 The PAP returned to office in a general election in January

The PAP won 34 of 36 contested seats, with 65% of the vote

Committee on Singapore's Competitiveness (CSC) forms in May

The East Asian financial crisis suddenly struck in July

NTUC 21 and *SNEF 21* unveiled

Launching of the Singapore 21 Committee in August

The Sub-Committee on Manpower and Productivity (in the Committee on Singapore's Competitiveness) formed

Period 5: The SNEF and Micro-Managing of the National Corporatist Institutional Framework, 1998-2004

1998 Economic recession

The Tripartite Panel on Retrenched Workers set up in February

The Ministry of Labour becomes Ministry of Manpower in April

The Public Sector Flexible Wage System (FWS) put to test in July

The Committee on Singapore's Competitiveness (CSC) releases its report in November

1999 *MANPOWER 21* unveiled in August

The Tripartite Committee on Union Representation of Executives formed in September

The Tripartite Committee on Monthly Variable Component (MVC) formed

2000 The Tripartite Committee on Portable Medical Benefits formed

The Tripartite Committee on Work-Life Strategy formed

The Dot-com Bubble Burst

2001 Economic recession

The Economic Review Committee (ERC) set up to revive the Singapore economy from recession and identify new directions for its future growth

The September 11 Terrorists' Attacks on US

The PAP returned to office in a general election in November

The PAP won 27 of 29 contested seats, with 75% of the vote

2002 In April, the PSB (Productivity Standards Board) was renamed SPRING Singapore to signify the shift towards an innovation-driven economy, and therefore its new role in promoting creativity to sustain growth for Singaporeans.

The Singapore Business Federation (SBF) forms on 1 April, as the apex chamber of the local business community.

The ERC Sub-Committee on Dealing with the Impact of Economic Restructuring delivers its report on November

Severe acute respiratory syndrome (SARS) begins in China in November

2003 The Tripartite Taskforce on Wage Restructuring formed

The Economic Review Committee publishes New Challenges, Fresh Goals in February

2004 The Tripartite Work Group on Flexible Work Schedules formed

The Tripartite Review Team on Section 18A of the Employment Act on Company Restructuring formed

The National Tripartite Initiative on Corporate Social Responsibility formed

The Tripartite Taskforce publishes a Report on Wage Restructuring formed

PM Goh Chok Tong handed over leadership to PM Lee Hsien Loong on 12th August

Source: adapted by the author from Leggett, 2005: xxiii.

CHAPTER 1

INTRODUCTION

1.1 Aim of the Thesis and Reasons for this Research

Recent events and trends have hastened changes in the ways businesses are conducted, how and where goods and services are produced and the shape of business strategies. Particularly important have been the end of the Cold War, intensified economic globalisation, particularly through the rise of multinational corporations (MNCs), the diffusion of advanced information communication technology, the rise of neo-liberal economic ideas and the growing prominence of Asian economies. Together they have changed the contexts for employment relations (industrial relations together with human resource management) (Frenkel and Peetz, 1998; Harzing and Ruysseveldt, 2004; Luttwak, 1998; Hans-Peter and Schumann, 1997; Moody, 1997; Yeung, 2000a).

At the micro-level, fundamental shifts in business strategies have encouraged changes in strategic human resource management (SHRM) which, in turn, have also influenced paradigm shifts in industrial relations law, policy and practice (Bae, 1997; Blyton et al., 2007; Sisson, 1994; Stonehouse et al., 2000; Teicher et al., 2006). Discussion of these changes includes debates over cross-national patterns of convergence or divergence as well as the particular roles of HRM within MNCs themselves. Greater scholarly focus on East Asian countries has focussed attention on all these trends, including the effects of local institutional variations and the impact of enterprise-level strategies within MNCs (Bae and Rowley, 2001; Chen, 2004; Frenkel and Harrod, 1995; Holzer, 2000; Kabanoff, 1996; Leggett and Bamber, 1996; Stone, 2002; Rowley, 1998). In particular, national experiences of industrial relations frameworks and institutions differ significantly.

Researchers have shown great interest in how such trends affect unions and how unions react to those challenges (Blyton et al., 2007; Chew and Chew, 1996; Elvander, 2002; Katz et al., 2004; Kwon and O'Donnell, 1999; Logan, 2002; Price, 1997; Tabb, 1995; Tan, 2004; Tan and Chew, 1997). There has also been substantial scholarly and practitioner interest in how the role of the state in industrial relations might have changed (Lansbury et al., 1998;Traxler, 2003a, 2007).

Given Singapore's successful model of government-driven economic and societal development, most scholarly interest on Singapore focuses on the role of its state and the political party that has dominated it (Anantaraman, 1990; Ariff and Debrah, 1995; Barr, 2000b; Chew and Chew, 1995a, 1995b; Chua, 1995; Deyo, 1981; Huff, 1994, 1995; Leggett, 2005, 2007; Rodan, 2002, 2006; Sim, 2006; Woodiwiss, 1998). Much less research can be found on another key industrial relations institution − employers' associations − despite recurrent interest in tripartite or corporatist experiences in various countries, including Asia (Baccaro, 2003; Calmfors et al., 1988; Downes, 1996; Schmitter, 1974; Sheldon and Thornthwaite, 1999; Teulings and Hartog, 1998; Traxler, 2004, 2007).

Perhaps this is not surprising. The long-ruling People's Action Party (PAP) has dominated the 'Singaporean model' it created as a corporatist framework. Further, the model has shaped a symbiotic relationship between the PAP and the aligned National Trades Union Congress (NTUC) that has contributed to maintaining industrial peace amid economic change. Not surprisingly, then, much of the literature – critical or eulogistic – is devoted to investigating the role of the PAP-controlled state and the role of organised labour (NTUC). As a result, employers' associations have escaped attention, despite the fact that the organised employers' opinions have long constituted an important part of the PAP tripartite model.

This thesis seeks to overcome this oversight by examining the development of the Singapore National Employers' Federation (SNEF). Since its formation in 1980, it has been Singapore's dominant national employers' association on labour-related matters. The study places the SNEF's formation and development in the context of Singapore's politics, economic development and industrial relations. Given the central role that PAP governments and overseas-based MNCs have played in the rapid emergence of Singapore's economy, a central theme of this thesis is how the SNEF has balanced – in its decision-making and strategic behaviour – the political pressures from Singapore's government-dominated corporatist system and the needs of its diverse members. This also makes it a pioneering study of a national employers' association in East Asia. Until now, the only extended English-language studies of a national-level employers' associations are for Japan (Taira, 1973) and Jun's (2007) largely unpublished work on South Korea (see also Jun and Sheldon, 2006; Sheldon and Jun, 2007).

This has serious implications. Analysis of the role of employers and their organisations furnishes important insights into the structure and dimensions of collective bargaining (Clegg, 1979) and, in turn, into wage determination processes and outcomes, labour force allocation and development, the costs of doing business, and standards of living. All these shape the socio-economic development of a country. As well, the growth and authority of employers' associations has had a major influence upon the development and direction of collective bargaining in many countries (Bean, 1994). This has included employers' associations assuming the initiative for redesigning existing systems of industrial relations (Sheldon and Thornthwaite, 1999; Traxler, 2003b, 2007).

As Bean (1994: 71) notes, while some scholars have seen employers' associations as "reactive in nature, they have not been slow to initiate new patterns of industrial relations in countries like Britain and Sweden". This directs our attention to the politically-orientated behaviours of employers' associations which may vary from country to country due to historical or cultural differences in their environments (Gladstone, 1984). Furthermore, even the same employers' association could display different behaviour and make very different decisions depending on the conditions prevailing during a given period (Vatta, 1999). This opens a wide range of opportunities for cross-national and longitudinal studies.

There are two commonly cited reasons for the relative lack of research on employers' associations (Schmitter and Streeck, 1999; Sheldon and Thornthwaite, 1999; Traxler, 2000). On the one hand, there is a general unwillingness among employer associations to open themselves up for the purpose of academic research. On the other hand, there is a lack of interest amongst academic researchers in studying employers' associations which, compared to unions, traditionally maintain a low profile as regards involvement in disruptive industrial action. In fact, employers' associations do much of their work and lobbying for employers' interests behind the scenes and keep their internal debates and decision-making behind closed doors. This is especially true of Singapore, whose particular form of corporatism has publicly recognised the role of 'closed-door' consensus seeking among the tripartite partners. In this context, 'closed-door' means limited or no access for scholarly research, with exceptions for the well-connected few. All this has impeded more research on employers' associations in Singapore. A first, empirical goal of this thesis, therefore, is to explain the formation of the SNEF and its development until 2004.

Employers' associations in Singapore seldom make controversial headlines. As a result, scholarly explorations of Singapore's industrial relations tend to take their multiple roles for granted. This suggests that the second main empirical question for this thesis must be to ask: What roles have the SNEF played in the development of Singapore's tripartite industrial relations? Accordingly, this thesis examines the SNEF's developing purpose, behaviours and impacts on Singaporean industrial relations.

The literature on employers' associations has been almost exclusively Western in context and orientation (Plowman, 1978; Sheldon and Thornthwaite; 1999; Traxler, 2000; 2003a; Vatta, 1999; Streeck, 1987; Windmuller and Gladstone, 1984). Given the increasing economic prominence of East Asia and its integration into world markets, there is greater potential for studies of East Asian employers' associations. One potential approach is to build on existing Western-based theories derived from organisational sociology, political economy, political science or industrial relations. Another is to draw more intellectual inspiration from approaches that emphasise the central role of national or ethnic cultures on patterns of social development. This is particularly apt because studies of development and institutions in East Asia appear to be much more self-consciously 'cultural' in orientation. Furthermore, as more East Asian case studies emerge, the potential for comparative studies across Asia also expands (Hamilton and Biggart, 1988; Hofstede, 2007; Kabanoff, 1996; Westney, 1989). In such a situation, it might be more feasible to employ explanatory frameworks from political economy and cultural traditions. This thesis, in examining the SNEF's development and behaviour, seeks to use the first two approaches and to contribute to the third (the comparative).

It is easy to see where the use of a political economic framework might begin. Singapore's rapid (in four decades) rise from a natural resource-poor third world

economy to a knowledge-intensive first world economy has, in large part, derived from an influx of foreign direct investment (FDI) in Singapore's industrialisation. A planned, explicit inducement for this FDI was the PAP Government's forging of a stable industrial relations system within its broader corporatist framework.

Thus, in summary, this thesis is first, a historical treatment of the SNEF's development up until 2004. It is also an analysis of the development of Singapore's industrial relations system through the lens of the SNEF. Further, it seeks to use these explorations to further our understanding of Singapore's particular variant of corporatism and to discern how and why this has changed over time. Finally, this thesis contributes to a broader understanding of employers' associations, including their formation, development, strategic approaches and behaviour. It does this by contrasting this East Asian example to Western-derived assumptions. In so doing, the thesis will necessarily engage with relevant bodies of scholarly literature. Literature reviews on employers' associations and neo-corporatism appear in Chapter Two. The remainder of this chapter introduces the development of Singapore, its political economy and industrial relations.

1.2 Singapore's Political Economy and Industrial Relations

Singapore is an island city state with a predominantly Chinese society situated amidst a predominantly Muslim region. Its closest neighbours are Malaysia and Indonesia. It has a total land area of 704 square kilometres (including smaller islands) – less than half the size of Sydney, Australia. The total population in 2007 was 4.68 million, of which 3.7 million were Singapore residents (Singapore citizens and permanent residents). The resident workforce was 1.88 million (*Singapore Key Annual Indicators Statistics*, 2007).

From the late 1960s to the 1990s, Singapore developed rapidly to become one of the four ‘Asian Tigers’ renowned for their high economic growth and rapid rate of industrialisation (Huff, 1995; Rodan, 1997; Hing, 2003). Building on its remarkable achievements in leading Singapore to overcome difficulties during the early years of independence, the ruling PAP party developed a style of paternalistic planning and control that was successful in improving the lot of the common people and, in particular, the working class. The majority of the Singaporean population recognises this, and has endorsed the government’s approach by returning the PAP to power at every election since 1959. Decades of high employment (Appendix 4), low inflation (Appendix 1) and positive economic growth (Appendix 2) achieved within a harmonious industrial relations environment since the 1970s, have seen the standard of living of Singapore’s working class become the envy of many foreigners.

From 1960 to 2004, Singapore’s average Gross Domestic Product (GDP) grew at an average of 7.9 percent per annum, with some years achieving GDP as high as 13.7 percent (see Appendix 2). In 1965, Singapore’s per capita GDP was US$512. In 2004, it was US$25,340 (see Appendix 3). Singaporeans are able to enjoy the benefits of world-class, government subsidised education, housing, and health facilities. Most live in modern and comfortable dwellings built by the Housing Development Board (HDB), Singapore's statutory public housing authority. It plans and develops urban public housing that provides Singaporeans with quality homes and living environments at subsidised prices. Even Singaporeans’ retirement funds are managed by the government through the Central Provident Funds (CPF). The CPF is a comprehensive social security savings plan which has provided many working Singaporeans with financial security in their old age. The scope and benefits of the CPF encompass: retirement, healthcare, home ownership, family protection, and asset enhancement. Within two decades of

Singapore's independence in 1965, poverty was overcome and signs of destitution such as beggary and vagrancy were removed from the streets. By any socio-economic measure, Singapore's accomplishments within such a short time have become both the envy and bane of its neighbours (Turnbull, 1977).

As in its colonial days, Singapore continues to attract foreigners seeking a better life. The manufacturing, construction and low-technology service sectors attract Chinese, Bangladeshi, Thai and Vietnamese workers; Singapore's busy container port attracts Malaysian and Myanmar workers; and many Filipinas work as domestic maids. However, unlike during colonial times, modern-day Singapore now has a huge knowledge-intensive sector that has attracted many foreign white-collar professionals.

These inflows of immigrant workers reflect the fact that few Singaporeans are now willing to take up construction, cleaning or even nursing jobs, and that the island state has suffered a significant 'brain drain'. This outflow of skilled workers has posed a major challenge to Singapore's future (Chew, 1990; Low, 1995). The issue of the 'brain drain' has become such a concern for Singapore's government that the ex-Prime Minister Goh Chok Tong provoked a nation-wide debate on "Stayers versus Quitters" in his 2002 National Day Rally speech (*Straits Times*, 24, 30 and 31 August and 27 September 2002). Moreover, in recent times, the declining birth rate combined with an ageing population has increased the demand for more foreign workers (Leong and Sriramesh, 2006; *Straits Times*, 24 August 2003; Tan, 1996).

Huff (1995) points out that a distinctive feature of the Singaporean model of economic development has been the state's control of wages and unions. Since wages − a key component of operating costs − and labour productivity affect profits, these controls have enabled the export-orientated city-state to attract FDI from MNCs. This FDI has not only created jobs for Singaporean workers but has also provided the capital

and technical know-how enabling the PAP Government to build highly efficient and sophisticated infrastructure and develop a highly skilled workforce. These factors, together with the rule of law, transparency in the conduct of business affairs and a harmonious industrial relations environment have brought Singapore a World Bank ranking as a favoured location for business (*ChannelNewsAsia*, 26 September 2007). Of crucial importance to this achievement has been the maintenance over several decades of a harmonious industrial relations environment.

Understanding Singapore's industrial relations system requires an understanding of the context in which it operates, as well as the nature and political values of the PAP leadership who have designed and run the system (see Backman, 2006). Scholarly analysis has largely painted Singapore's political system as paternalistic and authoritarian (Anantaraman, 1990; Case, 1996; Chew and Chew, 1995a; Chow et al., 1998; Huff, 1994, 1995; Kuruvilla, 1996; Leggett, 2005, 2007; Sharma, 2000). The authoritarian aspects of the system include law inherited from the British colonial days and, the use of corporal punishment and the death penalty within the criminal justice system. Critics also point to the *Internal Security Act*, which, under certain defined situations, allows state authorities to detain a person indefinitely, without trial.

The PAP's tough handling of political opponents and critical press have become a constant source of complaints from human rights and pro-democratic activists and other critics of the PAP Government (Barr, 2003). As well, the PAP leadership has used the legal system it has devised to bankrupt a number of opposition leaders through defamation suits. This practice extends to a general sensitivity to opposition or critical views. In 2006, Lee Kuan Yew and his son Lee Hsien Loong (then the incumbent Prime Minister) sued a prestigious Hong Kong-based newspaper, the *Far Eastern Economic Review* (FEER). In response, FEER's editorial made some penetrating observations,

> The Singaporean government's recent decision to ban the (FEER) REVIEW and the defamation lawsuits against us by its two most powerful politicians take us back to a time when the city-state was a poor speck of a country sitting on one of the fault lines of a fractious region. Besieged from without and within, the government of the young People's Action Party resorted to Draconian colonial-era laws to crush dissent. Today, Singapore is an affluent and peaceful society with ample means to protect itself, and its Southeast Asian neighbourhood has progressed from confrontation to cooperation. So why is it still using repressive measures against a monthly magazine that employs a total of three full-time journalists and has 1,000 subscribers in the country? (FEER, October 2006).

As well, the paternalistic nature of the PAP policies, in dictating how Singaporeans should live their lives, has also generated complaints. The PAP's highly interventionist role has included telling citizens how many children they should bear, that graduates should marry graduates, that they should not consume chewing gum unless for medical purposes, and organising the 'four million Singaporeans smiles' campaign for the International Monetary Fund (IMF) meeting in Singapore (*Straits Times*, 18 and 22 September 2007).

The symbiotic relationship between the peak union body, the National Trades Union Congress (NTUC), and the PAP includes having a Singapore cabinet minister as the NTUC Secretary General. This is an indication of labour subordination (Barr, 2000; Rosa, 1990; Yuen and Lim, 2000). Reinforcing this perception has been the NTUC support for unpopular government retrenchment policies during economic downturns. Thus, according to Coe and Kelly (2002: 364),

> The labour union movement too mobilised not to resist layoffs or engage in redundancy negotiations, but instead to ensure that workers accepted their fate when retrenched, even in cases where their companies are still profitable.

Nevertheless, the PAP supporters argue that it may be an authoritarian regime, but it is motivated to improve the nation. There is the suggestion that, being a predominantly Chinese society, Singapore is deeply rooted in Confucian values. Thus

the Confucian adage that a ruler commands absolute loyalty and compliance among his subjects, as long as he is intelligent, just and devoted to their welfare and protection, underpins the PAP rule (Kwon, 2007; Wiarda, 1996). For Anantaraman (1990: viii),

> Singapore's leaders know that such loyalties must be earned by a wise and benevolent government, by the maintenance of peace and stability, by not overtaxing people, by appointing honest and able administrators, and by creating conditions in which each and every citizen can prosper.

Yet, a first caveat here is that Lee Kuan Yew and quite a number of Singapore's most influential leaders – including Goh Keng Swee, Lim Kim San, Toh Chin Chye and Tony Tan – are not Sinkehs but Babas (Trocki, 2006). This is relevant because, according to Backman (2006:90),

> Singapore's Chinese have been divided between the baba and the sinkeh. The sinkeh … the majority … were the Chinese who came from China, or whose parents were born there. They spoke Chinese, lived like Chinese and considered themselves overseas Chinese. The babas, on the other hand, were Chinese more in name than practice. They were acculturated with both the local Malays and the British, whom they especially admired. Many baba families had intermarried with Malays.

In fact, according to Backman (2006: 91-92),

> For Lee [Kuan Yew], Chinese-ness was something of an acquired skill and later a political necessity. He was not brought up as a Chinese with a focus on China, but as a baba who looked to England … Lee Kuan Yew became Harry Lee of Fitzwilliam College, Cambridge … He ran it [Singapore] in a manner to which a British colonial administrator would have aspired. He ran it as a baba.

All this does not preclude Singapore's leaders from understanding Chinese cultural values and exploiting them for governing the country effectively. Indeed, it may be argued that the influence of the baba elites and their British Victorian values, brought prosperity and stability to Singapore; "their insistence on sound public administration, education and the rule of the law had made Singapore what it is" (Backman, 2006: 93).

Further, the PAP has enjoyed unprecedented power since 1959, allowing it full discretion and time to implement its policies and make changes when the situation warrants. There were only two opposition Members of Parliament out of 84 parliamentary seats in the 2001 and 2006 elections. To counteract criticism from proponents of democracy, the PAP Government introduced Nominated Members of Parliament (NMP) and Non-Constituents Members of Parliament (NCMP) to act as a 'check and balance' on the Government. Several high-profile industrial relations leaders have become NMPs. These have included the SNEF President, Stephen Lee, the NTUC central committee members Thomas Thomas and Terry Lee, the NTUC Vice President the late Nithiah Nandan and, the NTUC Director of Industrial Relations, Chiam Hui Fong. In this sense, the PAP extends "bureaucratic authoritarian corporatism" as a form of institutional regulation over industrial relations (Deyo, 1981: 51; Hing 2003). This thesis, therefore, explores the SNEF's emergence and subsequent strategic choices within Singapore's particular political-economy and political culture.

1.3 An introduction to the SNEF

According to the Ministry of Manpower website (1 February, 2007), there are three employers' associations in Singapore, namely, the Singapore National Employers' Federation (SNEF), the Singapore Maritime Employers' Federation (formed in 1955) and the Print and Media Association (founded in 1936). The SNEF is the peak employers' association focusing on labour-related matters in Singapore. The SNEF's formation in 1980 was a government-led event (see Chapter Five). The other two associations focus more narrowly on providing specialist information to their respective group of employers. There is also a range of trade business associations such as the Association for Small and Medium-sized Enterprises, the American Business Council, the British Chamber of Commerce, the German Business Association, the Japanese

Chamber of Commerce and Industry and the Singapore Federation of Chambers of Commerce Industry (now replaced by the SBF – Singapore Business Federation) which have no role in labour-matters. The government, as employer, is not a member of any of these associations, but many government-linked corporations (GLCs) such as the Singapore Airlines (SIA) and the PSA Corporation (Singapore Container Port Operator) are members of the SNEF.

The SNEF is registered as a trade union under the *Trades Unions Act*. It is an independent, autonomous non-profit and non-political organisation funded by membership fees and revenue from consultancy, training, research and other activities. In 2004, at the end of the period which this thesis examines, the SNEF had 1820 members that together employed 437,907 people (SNEF, 2004: 13). Its primary collective representative role (and political function) lies with its participation in Singapore's tripartite framework. The SNEF sits with its counterpart the NTUC on centrally-important tripartite bodies such as the National Wages Council (NWC) and the Standards, Productivity and Innovation Board (SPRING, Singapore). Like the NTUC, the SNEF is entitled to select panel members for the Industrial Arbitration Court (IAC). The IAC's primary objective is to maintain industrial peace.

The SNEF is open to firms of all sizes and sectors as long as members abide by its rules and pay membership dues on time. The incumbent President, Stephen Lee, has been at the helm of the organisation since 1988. The same is true for the other key SNEF Council members such as Vice President Bob Tan and Secretary Boon Yoon Chiang. A similar pattern is evident within the leaderships of the SNEF's two tripartite partners – the NTUC and the Ministry of Manpower (MOM). The SNEF President Stephen Lee, ex-NTUC Secretary General Lim Boon Heng, and the MOM Director of Industrial Relations Ong Yen Her had worked with each other for more than 20 years.

Stability of leadership clearly appears to be a salient feature of Singapore's tripartite model (Leggett, 2005, 2007) – a feature that this thesis will explore.

1.4 Conclusion

The SNEF, like other organisations, is embedded in the social, economic and political fabric of Singapore. Therefore, the behaviours and strategic responses of the SNEF are path dependent on its history and development as an employers' organisation and are closely interwoven with the contexts within which it operates. Superficially, a study of the SNEF is, by itself, merely a case study of one organisation. However, what makes this an important contribution to knowledge is that Singapore's industrial relations story has never been told from a SNEF perspective. The fact that the SNEF seeks to maintain a low profile does not mean it is an unimportant organisation. On the contrary, the SNEF's behaviour throughout five distinct periods of Singapore's industrial relations development (see Chapters Three to Eight), may fit well with Western theoretical constructs whilst some of its characteristics appear peculiarly Singaporean. This also provides opportunities for comparative studies with other East Asian employers' associations.

This chapter has fulfilled three key purposes. It has explained the main empirical goals of the thesis in the context of Singapore's development. It has established the research space for the thesis topic: how it can make a significant empirical contribution to existing knowledge – in particular, knowledge about the development of Singapore's industrial relations and political economy. Finally, it seeks to establish where it can make a contribution to the literature on employers' associations by providing an East Asian perspective derived from a consideration of Singapore's particular history of top-down corporatism. The following chapter will examine relevant literature in relation to employers' associations and corporatism, most of which is based on studies of Western

countries. Chapter Two then uses the literature review, together with the contextual discussion in this chapter, to develop the discussion of the design, methods, and structure of the thesis' research.

CHAPTER 2

LITERATURE REVIEW, RESEARCH DESIGN AND METHODOLOGY, AND THESIS ORGANISATION

2.1 Introduction

This chapter introduces those features of the literature on employers' associations and corporatism that are relevant to this study of the SNEF. Taken together with the contextual discussion on Singapore in the previous chapter, they suggest the development of more conceptual questions in addition to the main empirical questions provided in Chapter One. In turn, this discussion leads logically to an explanation of the thesis' research design and methods chosen to answer the main empirical and theoretical questions. Finally, this chapter provides a brief explanation of the organisation of the thesis.

2.2 Employers' Associations

Employers join together and form associations to reap benefits that they would otherwise not be able to obtain as individual employers. Generally, an employers' association is defined as an organisation that represents, defends and promotes employers' labour market interests. They are usually non-profit, non-political party affiliated and largely funded by membership subscriptions (Bean, 1994; Traxler, 2007).

These associations can develop as "pure" employers' associations that specialise exclusively on labour market matters, and "mixed" associations that organise over both labour market interests and other business interests of member companies (Traxler, 2003a: 2). A third category can be classified as "pure"' trade or business associations. Because they represent only the product market interests of their members, they are outside the interests of this thesis. Singaporean examples of trade associations are the

Singapore Chinese Chamber of Commerce and Industry (SCCCI) and the Singapore Business Federation (SBF).

Employers' associations may display different goals, strategies and behaviours due to their varying purposes and their histories. One source of such diversity is their 'structure' – understood as for unions – to denote the definition of their recruitment borders. Employers' associations can be organised by trade, occupation, industry, sector, locality or even size of firm. Peak associations often have as direct members lower level associations rather than individual firms. Some of the most representative peak national bodies, such as Italy's Confindustria, and Australia's Australian Chamber of Commerce and Industry (ACCI), include both sectoral (industry-based) associations and territorial associations (Sheldon and Thornthwaite, 1999).

(a) The Formation and Purpose of Employers' Associations

Various combinations of endogenous (internal) and exogenous (external) factors determine why employers form associations. Often, there is a combination of factors that prompt employers to group together.

From employers' points of view, endogenous factors include the felt need to coordinate policies against what they see to be unhealthy competition, whether in labour or product markets. In addition, employers combine to jointly establish and reinforce individual employers' prerogatives in grievance management. For example soon after World War II, economic disorder and acute food shortages in Japan led to numerous industrial disputes. In response, Japanese employers organised regional and industry associations to establish common management grievance practices (Chew and Chew, 1995a). This in turn, could include keeping union activism away from the enterprise-level.

The development of employers' associations from the late nineteenth century in many countries responded to the turbulent socio-economic and political effects of accelerated industrialisation. Employers united to discuss counter-measures to the growth of unionism. They also developed alliances for the purposes of market regulation, especially in those industries with (overly) competitive, domestic product markets. This served as a means of regulating wage-levels – whether by setting a floor or ceiling – thereby helping to stabilise labour market conditions. In doing this, they combined not only against unions but against other employers (Derber, 1984; Johnston, 1962; Shirom and Jacobsen, 1975; Taira, 1973). Further, in some countries, employers' associations became active in lobbying for employers' interests, first locally and later at national level. Peak national employers' associations often formed to confront threatened state intervention or because of legislative complexities under which employers had to operate (Ford, 1980; Forsebäck, 1980; Kuisel, 1981; Plowman, 1987; Taira, 1973; van Voorden, 1984; Windmuller, 1967; Yarmie; 1980).

Those reasons behind an association's formation often remain its main organisational purposes. As an employers' association establishes an organisational presence and identity, it also increasingly develops a symbolic role and identity on behalf of employers, whether they are members or not. While this activity may not achieve anything concrete in itself, the sight of an association combining employers and actively participating in dialogue with other social partners on their behalf, most particularly, within a corporatist framework, provides the prospect of stability for the social system (Schmitter and Streeck, 1999). In creating this symbolic role for their employers' association, employers also create a platform and mechanism for collectively dealing with external threats to their own interests.

Those associations that collectively bargain or coordinate multi-employer bargaining are able to overcome typical negotiation problems – such as the 'prisoner's dilemma' and 'free-riding' – associated with collective bargaining. Thus, according to Ulman (1974: 104):

> The employer is not only provided with maximum assurance that his competitors will make the same settlement that he does; he is also assured that his competitors will be shutdown when he is shut down, so that he need not reckon on a permanent reduction in market shares when calculating the costs of a strike.

To reduce uncertainty linked to challenges from unions, employers seek, through collective organisation, stable parameters for future human resources (HR) and production planning. They also seek more predictability through formal rules in relation to industrial action. Unity through association also prevents union 'whip-sawing' – the systematic targeting of individual employers by union industrial action (Traxler, 2000; 2003b). To achieve this, associations attempt to ensure that disputes are settled in an orderly manner and do not escalate (Bean, 1994; Jacobi et al., 1992).

Collective bargaining with unions and lobbying governments remain the principal reasons why employers form associations and maintain membership. In this sense, Sisson (1987) views employers' associations principally as a political institution – in that they prioritise limiting union involvement in rule-making processes – rather than an economic one. In other words, a major function of employers' association is to neutralise the workplace from union activities through external rule-making.

In recent decades, employers' associations have also played an active 'political' role by participating in tripartite arrangements with unions and governments at different levels, from the sectoral, to the national and, finally the international. In these forums, they participate as equal partners to deal with issues ranging from industrial relations and human resource-related policies such as training and development, occupational

health and safety (OHS), reemployment of older workers, equal employment policies, income policies and, other labour-related legislation. Influencing labour legislation is always a particularly important activity.

Employers' associations have much more diversified memberships than those of unions which are generally economically homogeneous. Employing organisations vary widely in terms of size, nature of business, resources and the locality where they conduct their businesses. For such reasons, they face "greater difficulties than unions in maintaining cohesion or governability" (Jun and Sheldon, 2006: 207). Like unions however, employers' associations also face 'free-rider' problems. This is where non-member also enjoy the benefits of activities like collective negotiations and lobbying without contributing financially. Following Olson (1965), this has become known as the "collective goods" problem and is most apparent where "a group is large enough for the success of its collective efforts to be independent of whether or not one more individual members is prepared to contribute to it" (Schmitter and Streeck, 1999: 14). As employers' associations depend largely on members' subscriptions and resources, widespread free rider behaviours "pose a continuing challenge to associational cohesion, resources and representativeness" (Sheldon and Thornthwaite, 2004: 130).

In many European countries, statutory provisions extend collective agreements to non-members and thus decrease the incentive to free-ride. In such situations, non-members want a voice inside the employers' association rather than accept the outcome of collective agreements reached without their input (Traxler, 2000; Traxler, 2003a). Furthermore where an employers' association is very influential – particularly when it is a peak body – even non-members will look to what it does and what direction it sets before they act (Katz, 1993:6, 9). However, in situations where there is an absence of external threats or perceived threats to employers' interests, an association's provision

of collective goods and symbolic roles are often not sufficient to attract and retain members.

Employers' associations have responded to such fundamental problems via the provision of 'selective goods' (often, termed their 'service function') (Gladstone 1984; Olson, 1965; Rynhart, 2004; Vatta, 1999). Selective goods are services or products that associations make available free of cost to members as an entitlement. These selective goods mostly fall within or very near core areas of organisational expertise that associations have developed through providing collective goods (Jun and Sheldon, 2006). Examples of selective goods therefore include advisory or information services in labour-management relations, union-management negotiations and labour legislation; research reports on industry and labour market trends, and seminars or conferences on developments in these fields.

Associations may provide these services through printed materials, electronically, via a call centre phone 'hot-line' or in face-to-face meetings. Conferences and the like provide members with networking opportunities with politicians, government agencies, noted academics and overseas visitors. Selective goods are therefore a direct reward for employers who maintain their membership. In this sense they encourage what the literature calls 'associability' but also 'governability'. Associability refers to employers' needs to join and maintain membership of an association while governability refers to the ability of an employers' association to maintain membership cohesiveness and compliance (Traxler, 1993). The reason is clear. Employers, and particularly small and medium enterprises (SMEs), highly value that their association has particular expertise – in depth – in providing services and products and that those services are free of charge. Unlike large employers, SMEs do not generally have the capacity to provide these services in-house and alternative providers

– lawyers and management consultants – are mostly much more expensive than association membership. For very large member companies, some of those selective goods will also be important but of greater relevance is the collective identity and voice in public policy, institutional and collective bargaining matters – their association's collective goods.

In some countries, like Australia, where legislation has undermined collective bargaining or relegated it to enterprise-level, some employers' associations have increasingly experimented with what started Sheldon and Thornthwaite (2004) call 'elective goods' – pay-as-you-use services to both members (at a discount) and non-members. The main impetus appears to be financial. These associations seek additional revenue to compensate for the loss of members in a situation where the union challenge is no longer sufficient to make collective goods attractive. In this way, employers' associations seem to be behaving more like a business than a trade union for employers.

(b) The Nature and Structure of Employers' Associations

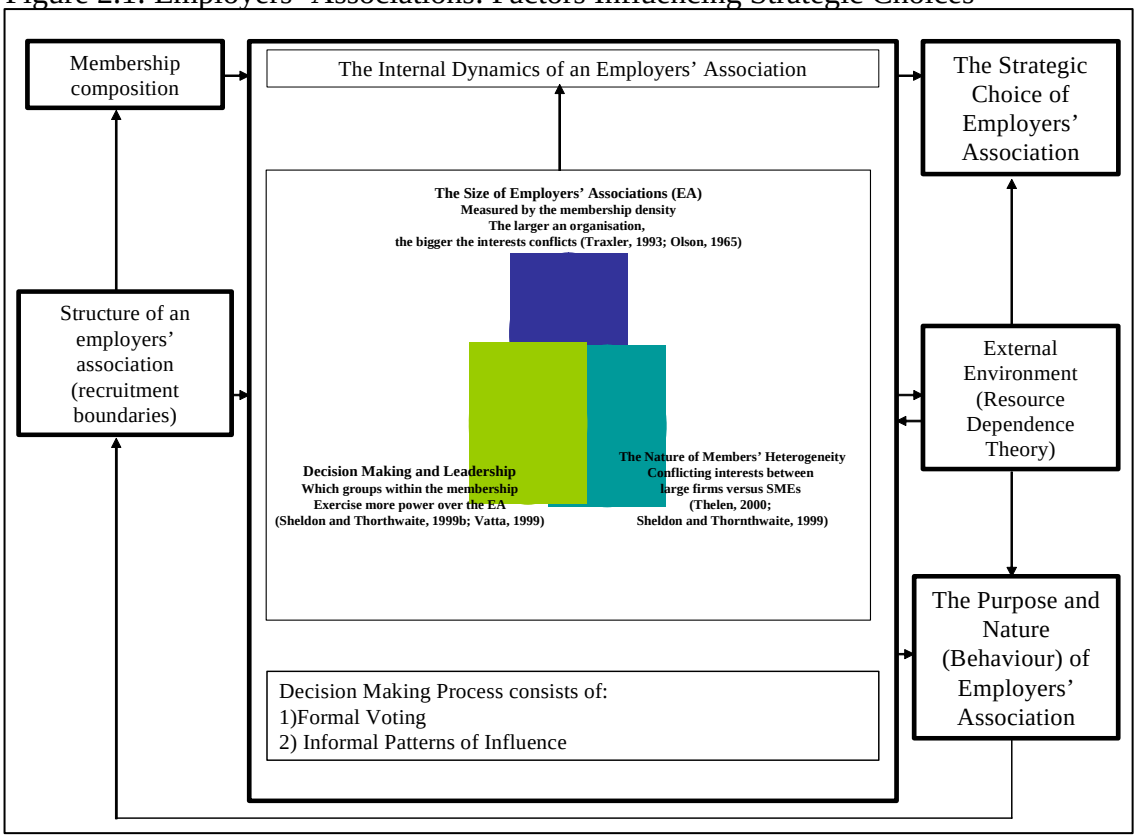
> In general, the structure of an association and the range of services that it provides to its members (and non-members) is a function of its purpose and the objectives it chooses to achieve that purpose (Sheldon and Thornthwaite, 1999: 6).

As mentioned above, an association's 'structure' refers to its 'turf' – its recruitment boundaries and hence its membership composition. Associations membership density can be measured by either number of member firms over total firms in that constituency or alternatively, the total number of employees in member firms over the total number of employees in that constituency. Researchers tend to prefer the latter measure of membership density as it provides a better picture of association 'representativeness' across big as well as smaller employers (see Traxler, 2000; 2007). However, more detailed studies into association membership profiles are

particularly important for researchers because associations have diverse memberships in terms of size, industry, product market and locality. Furthermore, within their associations as well as outside, individual members (and particularly the bigger employers) can exert their own interests more effectively than any individual workers can.

Figure 2.1 presents the author's synthesis of how the literature explains employers' association behaviour. It suggests that an association's strategic choices develop from links between an association's internal dynamics and its engagement with its external environment.

Figure 2.1: Employers' Associations: Factors Influencing Strategic Choices



Source: author's reworking of Jun (2007).

Thus to understand why and how an association makes its strategic choices and acts the way it does, we need to examine its membership composition and needs, the internal dynamics within that membership and channels and patterns of decision making. According to recent research, the internal dynamics of an employers'

association are largely the product of three factors, often in some combination. First *ceteris paribus*, the larger the size of an association (measured by membership density) the higher the probability of interest conflicts amongst its members. It is important to put the first factor – the size of an employers' association – in broader context. It is usually easier and faster to organise oligopolists and other smaller groups than large groups (Olson, 1982).

The second factor − the nature of members' heterogeneity − is closely related to the first. Potential conflicts exist between member firms of different size or nature of business. Problems with the first factor are likely to be compounded by problems with the second factor. For example, Sisson (1990) observed generally that although the great majority of association members are mostly SMEs, nevertheless the crucial participants are large companies and, often, MNCs. This has important implications because small and large companies have different strategic interests and goals. In general, as Bean (1994:55) argues,

> large size and a high degree of industrial concentration of capital tend to assist the organisation of employers by making agreements between them easier to secure and enforce. Furthermore, it would appear that even though large size and higher independence could reduce the propensity of firms to organise into associations, it enhances their opportunity to do so should they wish.

Moreover, as membership dues are often calculated based on number of employees or assets, associations rely more on larger firms for resources and finance. Not surprisingly then, there has been much scholarly attention focused on the challenges of achieving cohesiveness within the employers' associations (Olson, 1965; Schmitter and Streeck, 1999; Sheldon and Thornthwaite, 1999; Traxler, 1993, 2000).

The third and most important factor affecting the internal dynamics of an employers' association is its leadership and internal decision making processes. Why is the third factor most important? The first two factors − size of the employers'

association and the nature of members' heterogeneity − are presented as problems in terms of potential conflict of interests, governability and associability. Yet, this need not be the case and they may even become a source of strength for an organisation if its leadership is strong and its decision-making processes are seen as fair and appropriate within existing norms. Decision-making processes include two key avenues: formal voting and informal patterns of influence. In general, in East Asian cultures, informal influencing patterns are often more important than formal processes (Chang, 2003; Jun, 2007; Kwon, 2007). For the study of East Asian employers' associations, this therefore warrants investigation and is a particular feature of this thesis.

Apart from its internal dynamics and decision making processes, an employers' association's strategic choices and behaviour will also represent responses to external environmental influences. One important change in the external environment is the intensification of competition across national borders in recent years. This can have a significant impact on the perceived relevance and role of an employers' association and hence the challenges it faces with associability and governability. As Traxler (2003a: 4) puts it, these developments present,

> a serious challenge to the collective actors of industrial relations, since market competition is at odds with the solidaristic principle of collective action – to the extent to which economic internationalisation both expands and intensifies market competition, it thus threatens to erode the individual actors' propensity to associate.

He further added that there is a good reason to assume that employers' associations are especially vulnerable due to their characteristics. Potential members of employers' associations are more empowered than any other actor in the society to respond to economic change individually and hence have no need for any collective action. Additionally, in the midst of economic internationalisation, the cross-border mobility and transnational presence in markets of potential employers' associations

members threaten to devalue the benefits of employers' associations whose activities are mostly confined within national borders.

Further reshaping the external environment facing employers' associations are trends towards decentralisation of collective bargaining to the enterprise-level. This began much earlier in the United States and Japan; but has since the 1990s, also become particularly apparent in continental Europe, Australia and New Zealand (Bean, 1994; Katz et al., 2004; Sheldon and Thorthwaite, 1999, 2004). These trends and often related declines in the power of unions or at least their 'threat effect' weaken large employers' needs for collective goods they sought through employers' association membership. This increases the challenges of associability that associations face and threatens their revenue flow as well as their representativeness.

Finally, the structure of collective bargaining has an important influence upon the role and locus of decision making within employers' associations themselves and the effectiveness of those decisions (Bean, 1994, Sisson, 1987). In this sense, Sheldon and Thornthwaite (1999: 216) stress the interconnectedness of external environment and internal dynamics in that,

> the main industrial relations variables affecting the ability of employer associations to take the initiative and successfully reshape bargaining structures remain *union power, employer (association) unity* and *the role of the state*. (emphasis added)

How then have employers' associations responded to maintain themselves as relevant and hence attractive to both existing and potential members? There is abundant evidence of associations declining, merging or just ceasing to operate. In this sense, there are parallels to what we know about unions facing similar sorts of challenges that the above quotation from Traxler (2003) identifies. On the other hand, there are also clear signs that some employers' associations have responded with strategic choices that appear successful. For example, as briefly mentioned above, many employers'

associations are able to build on their collective goods expertise to provide selective goods and, even, elective goods (Sheldon and Thornthwaite, 1999, 2001, 2002, 2004; Streeck, 1987; Traxler, 2000, 2003a, 2007). This makes sense in terms of Pfeffer and Salancik's (1978) resource dependence theory as employers' associations attempt to manage their interdependence with a challenging external environment.

Almost all this type of research has, however, focused on western contexts where task and transactional considerations are, relatively more important than the symbolic and the relational. Given the prevalence of paternalist values in East Asian societies, we might expect that greater industrial relations strategic and operational power has remained in the hands of individual employers while as in South Korea employers' associations participate in tripartite activities under the encouragement of their governments (Jun, 2007). That is, employers' associations remain little involved in day-to-day industrial relations related to collective bargaining but direct their collective goods activities towards lobbying, public relations and in particular, representative and symbolic roles in tripartite arrangements. Jun's (2007) model of Korean employers' association behaviour warrant further examination in other East Asian countries such as Singapore. This brings us, necessarily, to a discussion of corporatism.

2.3 Corporatism

In general, corporatism has been the practice of organising the society into various economic entities subordinate to the state for the purpose of achieving coordinated national development. Corporatist relationships can appear at the national, sectoral or firm level. Given the SNEF's focus and primary roles, the national level is the most important level of analysis for this thesis. Corporatist arrangements at the national level can be market-conforming or market-distorting (Tat, 2004). From the early twentieth century, the proponents of corporatism envisaged it as a third ideological

force distinct from liberalism and socialism. Since the end of World War II and the discrediting of fascistic forms of corporatism, it has had a less grandiose profile and purpose.

Rather than serving as an overarching regime-ideology, corporatism has rather become an important analytical category that social scientists work with to explore the role, nature and meaning of certain types of interrelationships between the state and the (usually) organised class interests of labour and capital (Calmfors et al., 1988; Downes, 1996, Flanagan, 1999 Teulings and Hartog, 1998; Baccaro, 2003). Yet, as Gardner and Palmer (1992: 132) suggest:

> Corporatism is a contentious concept, with a number of competing definitions. Generally it is seen as connoting an active role for the state which may be coercive or non-coercive. Direct state intervention in the regulation of the economy is usually supported by an ideology of social consensus. The three variants identified are state, societal and bargained corporatism**,** reflecting different degrees of coercion and autonomy between the state and the other parties, usually representing employees and employers.

Of most relevance are the societal and bargained varieties of corporatism. Societal corporatism emphasises the legitimate role of various social actors in influencing government decision making. For example, Schmitter's (1974) discussion of societal corporatism in the context of post-war Western European takes into account both a large role for the state and also other important social interests represented, for example, by peak organisations of employers and employees. These arrangements have had the purpose of dividing otherwise contested productivity gains equitably amongst the social partners (Gerber, 1995: 315).

Inherent in this approach is the notion that achieving industrial relations harmony via such social arrangements also brings a more stable and predictable wage system. For employers, minimising labour costs and converting labour power (the potential to work) into labour (actual work effort) are central and perennial issues of the

management process (Wright, 1995). Yet, these issues can also generate industrial conflicts that raise employer costs, often in unpredictable ways and to unpredictable levels. Predictable wage increases negotiated under corporatist arrangements that reduce the risk (and cost) of doing business and keep wage costs from escalating out of hand are an attractive option under circumstances where labour, and particularly organised labour, has more market power. For governments, harmonious industrial relations have the advantage of encouraging investment and managing a range of macroeconomic outcomes, most notably inflation.

For their part, participation in key decisions at the national level has given employees and their union representatives a sense of pride and equity. In turn, unions have agreed to restrain wage demands in exchange for policy concessions from government or employers (Flanagan, 1999). In summary, Schmitter's corporatist ideal was a social arrangement welcomed by each key stakeholder. However, both his understanding and its practical applications remained highly contentious in academic and policy circles. In reality, the various stakeholders differed widely in their motivations to participate.

Much of the corporatism literature suggests that, for societal neo-corporatist bargaining to work, there needs to be a single peak union and peak employers' body representing their respective constituencies. The role of a single body representing constituents' interests is largely twofold – ensuring that the dialogue within the respective produces a unified voice, through processes of converging views, and second, peer pressure on constituents to comply with the eventual policy outcomes of the corporatist processes. Indeed, many of the more open north and western European economies such as Austria, Sweden, Finland, Norway, Ireland and the Netherlands have sustained experience with such tripartite neo-corporatist arrangements and some with

enduring success (Katzenstein, 1984; Lijphart and Crepaz, 1991). These societies display a political culture of relatively independent bargaining, based on an open, active civil society. The legitimacy of outcomes relies considerably on notions of political symmetry, equity, and fair 'rules of the game'. The same was also true from 1983 to 1996 in Australia, as Labor Governments used their corporatist Accords to wind back stagflation and gradually internationalise the economy (Beilharz, 1994; Gardner and Palmer, 1992). Although critics note that employers were less than well represented in the series of Accord negotiations in the 1980s and early 1990s (Hampson, 1996). Societal neo-corporatist structures can allow tripartite partners to adjust nimbly, and with higher levels of societal consensus, to unpredictable changes coming from the international economy. As this thesis will explain, this advantage was to become one of the hallmarks of the Singaporean experience of tripartite corporatism.

Societal neo-corporatism has, since the 1990s, faced increasing policy and political opposition, particularly from proponents of neo-liberal ideology. The primacy of its arrangements has weakened in some its traditional strongholds and in newer terrains, like Australia, electoral change swept it away. In the meantime, rapidly changing economic circumstances around the world have encouraged more attention on another distinct type of neo corporatism – the state corporatism – notably in Latin America (Wairda, 1996; Hammergren, 1977) and East Asia (Chan, 1993; Unger and Chan, 1995; Wairda, 1996; Tat, 2004).

State corporatism, in these contexts, usually refers to processes by which the state uses those organisations it officially recognises to restrict public participation in the political process and limit the power of civil society. In these scenarios, state elites 'select in' a limited number of players with which they negotiate or consult, co-opting their leaderships into policing their own members. At the same time, the state –

including through its more repressive organs – ‘selects out’ attempts by others to contest these privileged channels. In summary, state or authoritarian corporatism is clearly top-down control that leaves, in the case of industrial relations, no independent union voice and also no room for the more autonomous and consensual social partnership typical of societal corporatism. The end is the appearance of social harmony through state control rather than interest representation.

The first East Asian model of corporatism was in Japan. During periods of intensive development and amidst perceived threats from abroad, the emerging capitalist states of Taiwan, South Korea, Singapore, Malaysia, Indonesia, Philippines and Thailand developed a variety of strongly authoritarian corporatist structures. These structures were useful to state elites for managing some of the social unrest and conflicts that came with rapid and, more particularly, uneven economic growth.

Highly interventionist government policies coupled with a strong authoritarian corporatist structures were consistent with the overall export-oriented industrialisation policies of many of these governments. At the same time, many of those governments had a common advantage of well organised bureaucracies with established traditions. Research from the World Bank, Asian Development Bank and others consistency indicates the importance of the quality of public administration for the success of cooperative mechanisms and projects in such countries (Campos and Gonzalez, 1999: 429-30). Yet, because those governments were largely authoritarian in nature, they were also relatively immune to interest-group pressures. This was because most East Asian societies share at least important elements of a common cultural background. In particular, many are heavily influenced by Confucian teachings many of whose primary values are conducive for legitimating corporatist structures. In particular, the Confucian emphasis on paternalism provided moral authority for state leadership and placed the

country's interests above self and family (Kwon, 2007; Unger and Chan, 1995). The historical and conceptual pedigree of the understanding of authority relations in such Asian contexts departs from that found in the West (Hamilton, 1990). The Singaporean model, an efficient "bureaucratic authoritarian corporatism", according to Deyo (1981: 51), was one obvious illustration. However, both Tat (2004) and Unger and Chan (1995) suggest that, as recent globalisation and new technologies have brought East and West closer, East Asian styles of state corporatism are moving towards western-style societal corporatism.

Corporatist arrangements of both types have received criticism from those who see in it a means for the wealthy and powerful to concentrate and defend their privileges. Critics from many different ideological perspectives have thus alleged, variously, that corporatism facilitates unreasonable and undemocratic concentration of power in the state, corporate domination of the political economy, and union strangleholds over labour market policy. Critics of (state) authoritarian corporatist models have particularly drawn attention to the concentration of power in the hands of elites and technocrats – where it is 'clean' – or that corporatism breeds cronyism, corruption and nepotism where it is not (Barr, 2000b; Coe and Kelly, 2002; Deyo, 1981; Hamilton-Hart, 2000; Kuruvilla, 1996; Leggett, 1994; Rosa, 1990; Wilkinson, 1994).

2.4 The Research Questions and the Conceptual Framework

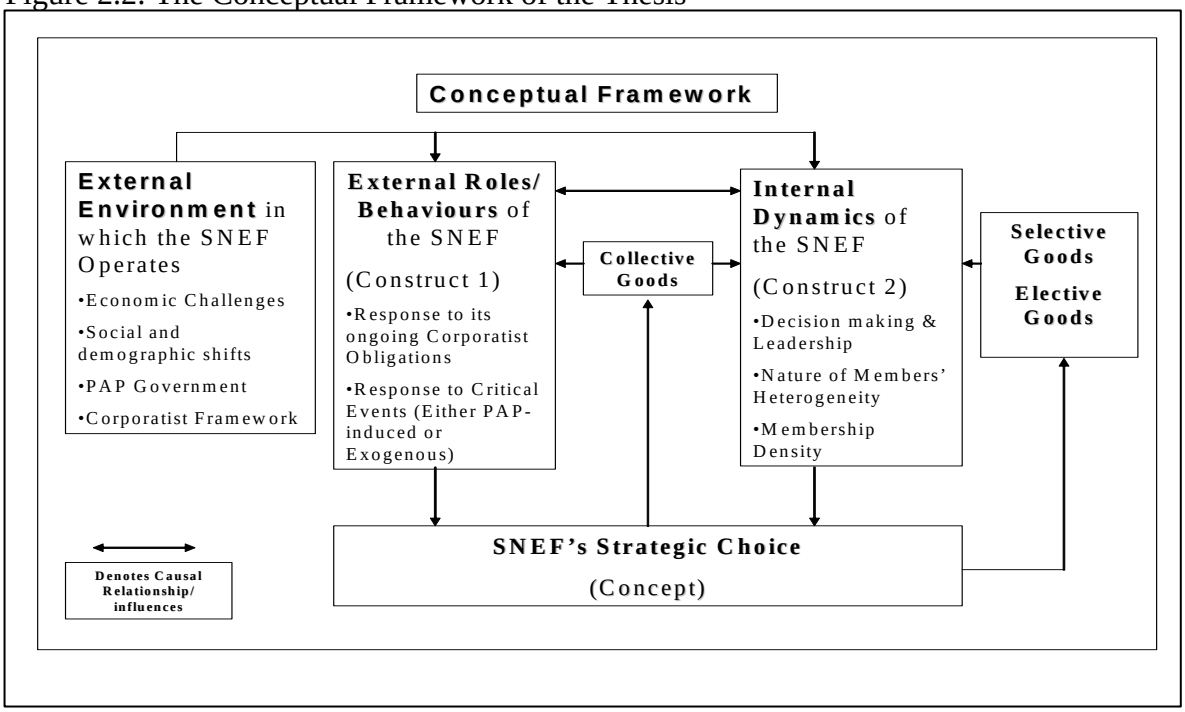
While the literature largely categorises Singapore's industrial relations as state corporatist, the focus of many of those analyses is the PAP's paternalistic but symbiotic relationship with the NTUC. Yet, if we bring together some of the meaning of the above literature reviews on Singaporean industrial relations, employers' associations and corporatism, important subsidiary questions emerge in relation to a study of the SNEF. They supplement the two main empirical questions regarding the SNEF's formation,

development and roles, and link these issues to the two areas of literature. Thus, first, has the SNEF fulfilled similar functions within Singaporean corporatism as the NTUC albeit on behalf of employers? That is, has its role been one of a legitimated conduit under state corporatism (see Ruble, 1981 regarding the metaphor of transmission belt as applied to the Soviet Trade Unions)? If not, has the SNEF been able to exercise an appropriate level of representative autonomy and responsiveness to its constituency than the NTUC as might be expected under societal rather than state corporatism? Obviously implicit here are questions related to the relative influence on the SNEF strategic choices of the PAP regime compared to the SNEF's membership. This refers us back to the model in Figure 2.1 above regarding the roles of internal dynamics and external environment on association strategic choices and behaviours.

These questions suggest others regarding the SNEF's challenges with "associability" and "governability". In particular, how did the SNEF leadership maintain cohesiveness despite vast membership heterogeneity? What was the internal dynamics of the SNEF over time and what explains their stability or changes? Finally, how did these internal dynamics interact with the external roles that the SNEF played?

The above research questions and Jun's (2007) work on the Korea Employers' Federation (KEF) suggested the following conceptual framework (Figure 2.2). It has the advantage of allowing a dynamic understanding of challenges and responses over different periods. The next section, in outlining the research design and methodology of this thesis clarifies how this model will operate.

Figure 2.2: The Conceptual Framework of the Thesis



Source: author (based on Jun, 2007).

2.5 Research Design and Methodology

(a) The Case Study

This thesis employed the qualitative research methodology using a longitudinal case-study approach (Eisenhardt, 1989; Yin, 2003; Hamel et al., 1993) appropriate for the nature of the research questions. The case-study method allows for investigation of the Singaporean phenomenon within a real-life context, that is through a contextual analysis of the actions of each corporatist actor – with particular focus on the actions of the SNEF – and their patterns of interrelationships within the wider corporatist system. Furthermore, the deployment of a longitudinal case-study is effectively an historical treatment of the SNEF's development through time. Supplementing the temporal dimension the study was initially designed to include the analysis of selected critical events to provide 'depth' through closer examination of the pattern of institutional processes, to provide insights into the Singaporean model. The advantages are obvious, as the historical element – lateral trends through time – were supplemented by vertical depth from selected critical events. The method enabled one to visualise how the SNEF

evolved and made its strategic decisions – via its interplay with both its internal and external environments – through each distinct period identified in Singapore's industrial relations history and development. As the last point implies, in investigating historical time and critical events in practice, it became clear that respondents (as did other researchers) identified events as critical, in the history of industrial relations. So, critical events were as much temporal, in punctuating time as 'turning points' (Abbott, 1997), as exemplars of deeper patterns and processes. Accordingly, the presentation of the thesis adopts a periodisation approach. The next section discusses this.

(b) Critical Events Analysis

As mentioned, this qualitative research is supplemented by semi-structured interviews addressing critical events and deeper processes. Initially based on critical incident method it has been broadened to encompass significant events, and was adopted as the most appropriate technique for the purposes of this thesis (Bryman and Bell, 2003).

The critical incident method (Flanagan, 1954) involves asking interviewees to describe critical events, where the latter is broadly defined as any observable human activity where the consequences are sufficiently clear as to leave the observer with a definite idea as to their likely effects (Bryman and Bell, 2003). Initially employed in psychological research it used an initial interview followed up by a series of probing questions to fill in missing information from the initial description of a particular event (Herzberg et al, 1959; Flanagan 1954). More recent use recommends content analysis to explore the essential features of the critical event to reveal the values it reflects (Bryman and Bell, 2003). In this approach one seeks to quantify the content of the interview using predetermined categories and in a systematic and replicable manner. This also serves to reinforce the triangulation strategy adopted in this study.

As noted above, in conducting the study, it became clear that respondents placed significant meaning on key *events*. Moreover, increasing interest in the literature (eg Haydu, 1998; Abbott, 1997; Child et al., 2007; review by Clemens, 2007) is emerging, prompting a reconsideration of the technique, and supplementing it. Accordingly, the understanding of critical events taken up here follows Child et al. (2007). For these authors, critical events influence "the path of institutional development in a given environment during a period of time" (Child et al.,2007: 1017). Although these events may be given different labels – such as shocks, disruptive events, or turning points, the distinctive features centre on their effect of "consequential shifts in redirecting processes" and indicating "the boundaries between stages in institutional development" (Child et al., 2007:1017). In the latter characteristic, critical events are turning points – where change to a "'new course' [is] such that it becomes clear that direction has indeed been changed" (Abbott, 1997: 89). For turning points, the 'new course' implies a change in the trajectory of institutional development., where the direction of change around the turning point does not need to be radical or disruptive, but rather contrasts to the relative straightness of its context (Abbott, 1997: 89). Thus an exploration of critical events treats them also as critical incidents.

In this thesis, the author seeks to relate the role of the SNEF to the various critical events in Singapore's industrial relations history – how did they (the SNEF) react to a particular critical event? what impacts did their actions contribute to the outcome of the critical event? That is, the critical incident approach was used to examine the relationships between the SNEF and the Singaporean corporatist model. This involved focusing on particular events as a means of exploring how the SNEF and their strategies related to their impact of Singapore's industrial relations development. 22 people from the three key corporatist partners – the SNEF, the National Trades

Union Congress (NTUC) and Ministry of Manapower (MOM) – and an industrial relations reporter were interviewed about a range of critical events that they have experienced or have intimate knowledge of, over the period from 1980 (the year which the SNEF is formed) and 2004. A number of themes – trust, cooperativeness, consensus, openness, leadership – were selected as a basis for exploring how the SNEF interact with the environment and other tripartite partners under the Singaporean corporatist framework.

This was a way of encouraging more detailed narratives than would have been possible if the subjects were first raised in the interview. Each theme was introduced by the interviewer, who gave a general introduction. For example, in the case of the formation of the SNEF in the 1980, the interviewer would say:

> Let's talk more about SNEF after it was formed. SNEF was formed to the single voice for employers. You see from 1972 to 1980, the year which SNEF was merged [sic], why is that they took eight years to merge? Why is it particularly, 1980? (Interview: Chia, December, 2006).

> In the (employer associations) literature, employers normally get together to counteract trade unionism or to lobby against pro-labour governments. But in the case of SNEF, it is different (Interview: Lee, February, 2007).

One interviewee (Stephen Lee) had first hand experience of this particular event – the formation of the SNEF in 1980 – while the other interviewee (Chia Boon Cher) was working at the then Ministry of Labour (now known as Ministry of Manpower) and also witnessed the event from the tripartite partner point of view. The author found that the critical event – the formation of the SNEF – led the tripartite partners (the NTUC and the government) to form a series of tripartite committees. This was a significant development in the history of Singapore's industrial relations. It marked the end of a period of confrontational industrial relations to a period of collaboration and consensus

seeking industrial relations, with the primary aim of boosting Singapore's economic development.

This particular critical incident/event also revealed the beginning of a unique feature of Singapore's industrial relations model which was built on trust and long term working relationship among the leaders of the tripartite partners, namely, Stephen Lee (President of the SNEF), Lim Boon Heng (ex-Secretary General of the NTUC) and Ong Yen Her (Director of IR, the Ministry of Manpower). Lim Boon Heng explained how trust came about for these key institutional industrial relations practitioners:

> I think this is one of the key advantages that Singapore had. Ong Yen Her and myself, we were colleagues, we were in middle-level positions. It helps because I spent a number of years at that level, and also Stephen was also there at that time. He [Stephen Lee is able to deal with people at all levels], so his personality helps. So, we have been doing this work for many years and each time we deal with each other, the relationship gets stronger and stronger. So the three of us are pretty close and he himself once said ... but I think we will more or less be saying the same thing because we are able to reach the concerns. [This is] something which is unique. Hopefully demonstrating the kind of tripartite working relationship in Singapore (Interview: Lim, January, 2007).

Contrary to the employers' association literature, the author was able to use the critical incident analysis method to increase understanding of the reasons why the SNEF was formed during a period of no external threats. This was a direct application of the method used by Herzberg *et. al* (1959) to study job satisfaction.

(c) Data Sources

Having adopted the longitudinal case study method, the author proceeded with listing data/information needs and identifying sources to obtain relevant data. The primary source material for the study was derived from publications and archival materials from the SNEF, as well as interviews with key SNEF staff, key decision makers at the SNEF including members of the SNEF Council and an ex-member of IRP (Industrial Relations Panel), selected participants from the NTUC and the MOM and the

ex-President of the Industrial Arbitration Court (IAC), a SNEF's member and, an industrial relations reporter from the Singapore's mainstream English newspaper.

The secondary source for this thesis was derived from books, business magazines, newspapers, conference papers, government documents and, journal articles. Finally, as a common practise in case study research methods, cross-examination technique of verifying statements and findings from both primary and secondary sources were deployed to make triangulation of the compiled data possible. This was necessary to address issues associated with construct validity and reliability problem when gathering information/data (Yin, 2003).

Notably, while access to confidential internal minutes of meetings and memos was unavailable, valuable information was extracted from the SNEF's *Constitution* and, the SNEF's *Annual Reports*, which contained details of its membership, name lists of the SNEF Council and various sub-committees, as well as its internal and external activities. By organising and compiling the relevant information in chronological order, the author was able to put together an extensive list of the SNEF's activities – segregated into two main categories of collective and selective/elective roles – in a period of 24 years. Furthermore, the author was able to trace the SNEF membership dynamics and its leadership patterns over the span of 24 years to present logical findings and internal dynamic trends. It was worth noting that much of the materials and analysis prepared on the SNEF – a key corporatist actor and leading national employers' association in Singapore – has never appeared in any scholarly publications. This contributes to the literature of Singapore's industrial relations in itself.

(d) Procedures

This section describes how the case study was carried out, problems encountered and some of the safeguards used. The fieldwork interviews were conducted onsite in

Singapore and in a semi-structured format. A list of open-ended questions,was prepared before the interviews for the purpose of compiling standard results as well as testing responses based on the triangulation technique, for the analysis stage. However, the scope of the interviews was not confined to the list of prepared questions. Room was allowed for flexibility in responses and interview probing was used to encourage more spontaneous information sharing. This method was found to be effective.

The reputational referral method was used for recruiting participants. The author was able to rely on his extensive network within the Singapore's industrial relations fraternity – including corporatist actors such as Mr. Lim Boon Heng (ex-Secretary General, the NTUC and Minister without portfolio, the Prime Minister's Office), Mr. Stephen Lee (President, SNEF) and Mr. Ong Yen Her (Divisional Director of Industrial Relations, MOM) – to arrange for interviews which were difficult for outsiders to obtain. Even so, considerable time and effort was expended in arranging fieldwork interviews, but was effective as key decision makers at the SNEF – including President, Executive Director, Vice President, Secretary and, Deputy Secretary – granted lengthy interviews and were forthcoming in sharing their views and experiences. It partly compensated for blocked access into the SNEF's internal confidential materials.

The author found majority of the interviewees most forthcoming in sharing their experiences. However, access was time-consuming and, apart from the very helpful SNEF's staff, Shaun Hou, follow-up interviews were not possible. It was generally difficult for researchers to gain access into the tightly-knitted Singaporean corporatist network.

The author also implemented confidentiality strategies as follow:

1) Participants were given three options to choose from, namely,

   Option 1: Fully on record/full attribution and disclosure

Option 2: Non-direct attribution but generic acknowledgement of participation

Option 3: No attribution/no identification of participation

2) Interviewed records segregated in three separate folders according to the three different options chosen.

3) When transcribing the interviewed records electronically, footnotes will be included to ensure there is no mix up of interviewees that chose different options.

Finally, a crucial process of the methodology involved the revisiting of the literature after the fieldwork interviews were completed. This allowed the author to compare findings with existing literature and put things in new perspectives. This in turn had facilitated the analytical and writing process.

The ensuing section introduced the final part of this thesis' research design. The Sheldon and Thornthwaite's (1999) determinants of employer association strategy model allowed the author to demonstrate how the SNEF arrived at its strategic choices through five distinct periods of Singapore's industrial relations and development. Notably, this model was able to synchronise with the research questions and conceptual framework of the thesis to illustrate a vivid picture of change and continuity through time and helped explain the Singaporean phenomenon clearly.

(e) Sheldon and Thornthwaite's Employers' Association Model

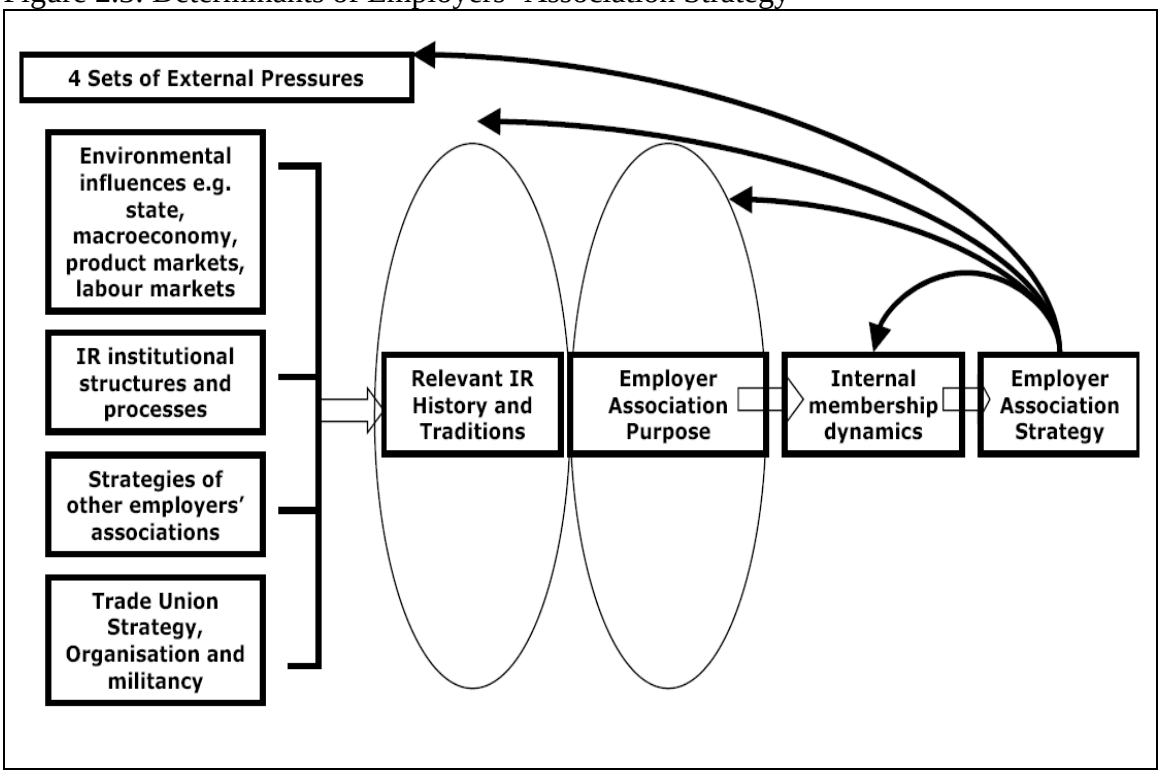
The Sheldon and Thornthwaite (1999) model postulates four sets of external pressures – environmental influences; industrial relations institutional structures and processes; trade union strategy, organisation and militancy; strategies of other employers' associations – among which one or a combination of any four sets of external pressures formed the external forces of influence on an employers' association. In most cases, how an employers' association reacts to these external pressures depends largely on their perspectives and past experience in dealing with these external

pressures. Sheldon and Thornthwaite term this as looking “through the lenses of both relevant industrial relations history and traditions and the understanding members and staffs have of their association’s purpose” (Sheldon and Thornthwaite, 1999: 222).

Due to the heterogeneous nature of many employers’ association, there may be a variety of ways which members and employers’ association staffs would perceive and deal with these external pressures. Such differences in opinions form the internal dynamics of an employers’ association. These, in turn, depending on the formal and informal patterns of influence within that association, influence the outcome of its strategy (Sheldon and Thornthwaite, 1999). The various arrows in Figure 2.3 denote that this is not a simple flow chart that does not necessarily begin with the external sets of pressures and ends with the employer association. This model allows for dynamic interactions between any various factors within the model as ”there are no necessary links between particular internal or external pressures and directions in employers’ association strategy” (Sheldon and Thorthwaite, 1999: 223). For example, the snap shot of an employers’ association strategy at a particular time may only influence a single factor such as the strategy of another employers’ association. In other case or different period of analysis, it may be that it influences a number of factors within the model such as the behaviours of labour unions and the internal dynamics of the employers’ association.

The applicability of this intuitive model would become apparent in subsequent chapters when the author has applied it to various periods of Singapore’s industrial relations history and development. The ensuing section introduced the organisation of this thesis.

Figure 2.3: Determinants of Employers' Association Strategy



Source: Sheldon and Thornthwaite, 1999: 223

2.6 Organisation of this Thesis

With the exception of the conclusion (Chapter Nine), the rest of this thesis is organised into five sections that together contain six chapters. Each section covers a distinct period of Singapore's industrial relations history. The choices of periodisation here is somewhat different from those developed by other authors (see Chew and Chew, 1995a; Leggett, 2005; 2007). This reflects both the different purposes of each study, and different analyses of phenomena being examined.

Shaping this author's choices has been a concern to organise evidence and argument for the purpose of explaining the formation and subsequent development of the SNEF within its changing context. As part of this choice, the thesis begins in 1945, well before the 1980 formation of the SNEF, to capture important threads of the historical dynamics of the study. This would assist readers in understanding the journey undertaken by the SNEF and its predecessors with the Singaporean variant of

corporatist framework through a lens trained on the SNEF. As well, the author chose to end the SNEF story in 2004 because it was the year that saw Singapore recovered from a spate of critical challenges in the new millennium.

Each chronological section begins with the relevant context for employers and the SNEF (and its predecessors). Apart from Chapter Eight, each SNEF chapter very briefly examines the relationships between its internal dynamics and its external roles/behaviours by using Sheldon and Thornthwaite's (1999) model of employers' association strategy for that period of Singapore's industrial relations history. While Sheldon and Thornthwaite did not use their model in a historical sense, it lends itself to helping explain the dynamics of change and responses examined here. The thesis proceeds as follows.

Period 1 (1945 to 1971)

Chapter Three examines the first period of Singapore's post-war industrial relations development within the turbulent political and economic context. It provides necessary introduction to the PAP's formation of key early corporatist institutional structures. This chapter works with this context to examine SNEF's two predecessors (mainly the former): the Singapore's Employers' Federation (SEF) and the National Employers' Council (NEC), particularly from the 1960s.

Period 2 (1972 to 1979)

Chapter Four discusses both historical context and the behaviour of the SNEF's two predecessors. In particular, it focuses on a critical event for Singapore's corporatist industrial relations, the establishment of the National Wages Council (NWC) in 1972. This marked the beginning of employers' associations' participation and entrenchment within the emerging corporatist framework. In addition, this chapter provided insights into Singapore's second industrial revolution which sparked a series of critical changes

in Singapore's industrial relations landscape. Amongst the most important of these was the formation of the SNEF.

Period 3 (1980 to 1986)

Chapter Five highlights the formation of SNEF in 1980. The SNEF's birth appears as part of the contextual discussion regarding the ongoing impact of the second industrial revolution, the PAP's high wage policy and the further development of corporatist institutions and processes. This chapter takes the recently formed SNEF and examines its internal dynamics and external behaviours and roles during its early years.

Period 4 (1987 to 1997)

Chapter Six continues the story of boom amid economic change. It concludes with the start of the East Asian financial crisis. A central element of Chapter Six was the SNEF's initiative to promote a flexible wage system in Singapore from 1988. Overall, this period marked the SNEF's growing presence and authority within Singapore's corporatist structures and industrial relations

Period 5 (1998 to 2004)

Chapter Seven begins with the effects of the East Asian financial crisis and the PAP's attempt to re-organise the labour market in response. A major challenge for the SNEF emerged with the NTUC-PAP drive to embed a flexible wage system. As well, a number of exogenous-led critical events during this period continue to highlight the vulnerability of Singapore's small but open economy. Chapter Eight outlines the maturing organisational capabilities of SNEF and details marked changes in the role of the state in hitherto traditional areas of human resource management.

Chapter Nine concludes the thesis and discusses the findings and implications.

CHAPTER 3

THE SEF: THE EARLY YEARS

1945-1971

3.1 Introduction

This chapter highlights the roles of the SNEF's predecessors – the SEF and the NEC – in Singapore's industrial relations. In this context, the latter part of the chapter refocuses on the policy and behaviour of the leading employers' association focuses on the SEF, and examines its internal dynamics. This focus is essential for a more balanced understanding of the development of the activities of employers' associations, the emergence of Singapore's particular brand of corporatism and the later foundation and behaviour of the SNEF.

This chapter also introduces Singapore's post-World War II history and the early development of its corporatist framework. This marked the beginning of contemporary Singapore during which the PAP prevailed after fighting against great odds. In the process, its leaders learnt many lessons that they used in laying the foundations for Singapore's corporatist framework. This became a crucial element designed to complement its economic policies and overall growth strategies.

The PAP's early days struggles shaped its subsequent principal, ideological approaches – pragmatism, meritocracy and multi-racialism. These approaches still rule Singapore today (Chong, 1987; Chua, 1995; Hill and Lian, 2005; Low, 2006; Mauzy and Milne, 2002; Sandhu and Wheatley, 1989; Sim, 2006). More importantly, the PAP's key ideologies need explanation within their historical context because this helps us understand subsequent behaviours of institutional actors within the Singaporean corporatist framework.

For the PAP, nothing mattered more than Singapore's long-term viability, preservation of the legacy of its past achievements and its leadership's desire to stay at the head of the ruling party of Singapore (Chua, 1995; Hill and Lian, 1995; Lee, 2000). According to two non-local authors, Coe and Kelly (2002: 354), it was this "pragmatism that placed economic growth above more abstract concepts of rights". Most importantly, the PAP's leadership sought to indoctrinate its society in favour of the value of pragmatism during the 1960s when, with Singapore's survival clearly in doubt, it could ill- afford internal strife.

For the PAP's leadership, meritocracy extended beyond the political realm. Thus, according to Mahizhnan and Lee (1998:5), "meritocracy underpinned the entire Singapore system". However, for Coe and Kelly (2002: 354) this was "rhetoric of meritocracy that implied all may share in the benefits of growth, but some gain more than others, according to their capabilities". The basic idea was to create a society that allowed its citizens – regardless of their social and economic status – equal opportunities to succeed. In the Singapore of the 1960s, with its wide-spread corruption, crony-capitalism and social gap between the rich and the poor, the PAP's introduction of meritocracy was revolutionary. Thus, for the PAP's leadership, the values of pragmatism and meritocracy were consistent with its strategy for ensuring Singapore's survival, as well as becoming an important part of the foundation for Singapore's later economic success (Chua, 1995; Hill and Lian, 1995; Lee, 2000).

For the PAP, promotion of multiculturalism meant "an attempt at creating a society that did not allow the issue of race to divide people" (Trocki, 2006: 139). It was such an important ideology that in August 1966 the late S. Rajaratnam, the then Minister for Foreign Affairs, penned facets of multiculturalism into the Singapore's national pledge,

> We, the citizens of Singapore, *pledge ourselves as one united people, regardless of race, language or religion,* to build a democratic society, based on justice and equality so as to achieve happiness, prosperity and progress for our nation (Singapore Infomap, 2008) (emphasis added).

The ensuing section presents the context which the PAP first established its key ideologies.

3.2 The PAP, Politics, Economic Development and Industrial Relations in Post-War Singapore

The Japanese wartime occupation had ended Singaporeans' colonial perceptions of the British Empire's invincibility. Many remained bitter about Britain's abandoning of Singapore to the Japanese. Local Communists emerged as popular heroes for their guerrilla warfare against Japanese occupation. After the war, Singapore reverted to British control but anti-colonial sentiments grew. The Communists turned their attention against the colonial government. They were quick to consolidate their influence amongst the masses through their domination of the labour union movement. From the perspectives of employers in Singapore, having Communists taking control and turning these organisations into militant unions was a worrying development. In response, during 1946 and 1947, employers from the labour-intensive tin and rubber industries organised employers' associations to defend their interests (Kleinsorge, 1957a).

Rather than fighting for economic benefits for workers, the Communist union leaders wanted to create one big union for the purpose of advancing Communism in Singapore (Anantaraman, 1990; Chalmers, 1969; Trocki, 2001; Turnbull, 1977). The aggressiveness of these unions and their organisers did not escape the eyes of the colonial government nor the workers. Most employees worked to earn a living and did not want to be involved in political activities. When the Communists' strategy of using workers to advance their cause failed, they resorted to violence and terrorism and went back to the jungle to conduct guerrilla warfare. This resulted in the colonial government

declaring a state of emergency in 1948 and deregistering the Singapore Federation of Trade Unions (Turnbull, 1977). A brief lull in labour movement politics followed but, by then, employers' attitudes towards the union movement – regardless whether Communists or otherwise – were openly hostile.

As the British slowly lost their moral authority to rule Singapore, they granted increasing levels of self-government to the locals. From 1946 to 1955, despite their innate mistrust of each other, the Communists and the Social Democrats worked together to achieve self-government. They formed the PAP in 1954 and contested the 1955 general election, winning three seats. The Labour Front was a pro-labour socialist party with similar anti-colonial and social democratic perspectives to the PAP. Nevertheless, attempts to explore a merger of the two parties failed. In the 1955 election, the Labour Front, led by David Marshall and in coalition with other minority parties, became the first elected government in Singapore (Anantaraman, 1990; Chua, 1995; Drysdale, 1984; Josey, 1980; Quah et al., 1985; Turnbull, 1977).

Marshall's leadership was uncertain from its inception. He enjoyed neither support from the colonial government nor the local political parties. In May 1955, the Communist labour movement instigated the Hock Lee Bus riots which went out of control when Marshall refused to allow the army to intervene. The resulting deaths and chaos greatly discredited Marshall's government in the eyes of the British. In 1956, Marshall's failure to secure greater autonomy for Singapore led to his resignation (Anantaraman, 1990; Chua, 1995; Drysdale, 1984; Josey, 1980; Quah et al., 1985; Turnbull, 1977).

Learning from the Hock Lee Bus riots, Marshall's successor, Lim Yew Hock, took more drastic measures against the Communist labour movement and the Chinese Middle High School Students' Union (the recruiting ground for young Chinese to join

the Communist cause). In 1956, when the Communists tried to resist, Lim Yew Hock decisively used the army to end the riots. In addition, Lim had a number of key Communist labour union leaders detained including the PAP cadre, Lim Chin Siong. In 1958, Lim Yew Hock, with his track record of suppressing Communists, successfully negotiated full autonomy from the British colonial government. Nevertheless, Lim's high-handed methods against the predominantly Chinese-dominated labour unions and Chinese middle school students, made him unpopular amongst the Chinese electorates. This became evident when Lim dissolved the Labour Front. In 1959, he contested elections under the new banner of the Singapore People's Alliance (SPA) but lost to the PAP (Anantaraman, 1990; Chua, 1995; Drysdale, 1984; Josey, 1980; Turnbull, 1977).

The PAP, with Lee Kuan Yew at its head, won the election in coalition with local Communist politicians with close connections to mainland China. Of foremost concern for the new PAP Government were the successive cycles of labour unrest of the 1950s which it had actively exploited to further its own political agenda. Now in government, the PAP leadership decided it had to put in place measures to keep other forces from exploiting the labour movement for political purposes. In 1960, it therefore introduced the *Industrial Relations Ordinance* and established the Industrial Arbitration Court. The *Industrial Relations Ordinance* provided a framework for the prevention and settlement of industrial disputes through collective bargaining, conciliation and arbitration by the Industrial Arbitration Court (Anantaraman, 1990; Chew and Chew, 1995a; Leggett, 1994). These developments, discussed in more details later in this chapter, provided both labour unions and employers with the means to settle industrial disputes through a legal framework. For Lee and his colleagues, the primary objective in developing these institutions in 1960 was to devise a means to minimise labour

unrest. Nevertheless, perhaps unwittingly, they had also laid an important foundation for what became Singapore's corporatist framework.

In 1960, the other main priority for the new PAP government was Singapore's unsustainably small domestic market. Lee Kuan Yew and his supporters recognised that a natural resource-deprived Singapore could not survive without the surrounding hinterlands of Malaya. For its long term viability, Singapore appeared to have little choice but to merge with Malaya. On the other hand, the local Chinese politicians – who were largely Communists – viewed with hostility the ways in which Malaya's ruling United Malay National Organisation (UMNO) openly discriminated against minority races in favour of indigenous Malays (Anantaraman, 1990; Chua, 1995; Drysdale, 1984; Lee, 1998; Turnbull, 1977).

When Lee Kuan Yew's Social Democrats sought to merge Singapore with Malaya, to form the Federation of Malaysia in 1961, the PAP's Communist politicians broke away from the PAP to form the Barisan Socialist (BSP). The struggle for power between the PAP and the BSP spilled from the political realm to the labour movement, leading to the dissolution of the Singapore Trades Union Congress (STUC). In its stead, the PAP-backed National Trades Union Congress (NTUC) and the BSP-dominated Singapore Association of Trade Unions (SATU) became Singapore's competing peak union bodies.

Three major events for the development of Singapore's politics and industrial relations marked 1963. First, the PAP returned to office in a general election, winning 37 of 51 seats and 47 percent of the vote. Opposition votes were divided between the BSP and the United People's Party (UPP). Second, large-scale illegal strikes provoked the Internal Security Department to detain many Communist union leaders including BSP leader, Lim Chin Siong. Consequently, the Registrar of Trade Unions banned the

BSP's SATU for its role in sanctioning illegal strikes by its labour unions. Finally, with the blessing of the public and her previous colonial master – the British Government – Singapore joined the Federation of Malaysia inside which Singapore – like other states within the Federation – retained its autonomous self-government. For Lee Kuan Yew, the merger was to benefit the Singaporean economy by creating a common free market with the much bigger Malaya and by solving local unemployment problems. The union, however, proved problematic.

In 1964, multiple BSP-instigated racial riots erupted, specifically targeting those federal policies that granted special privileges to Malays at the expense of other groups. The PAP and the ruling UMNO were also at political loggerheads over the unequal treatment of different races. The PAP's democratic-socialist goal of creating an ethnically equal society, based on multiculturalism and Malaysian nationalism, stood in direct contradiction to UMNO's pro-Malay discriminatory policies. As a result, the PAP's leadership became unpopular among UMNO politicians and racial strife widened in 1964 and 1965 (Drysdale, 1984; Josey, 1980; Turnbull, 1977).

All these factors intensified the mayhem and instability that the Indonesia-Malaysia Confrontation generated between 1962 and 1966. Called *Konfrontasi* in Indonesian and Malay, the ostensible dispute was over the island of Borneo, and was pitted between the British Commonwealth-backed Malaysia against Indonesia (Sutter, 1996). The Indonesian Government had strongly opposed the formation of Malaysia. Its forces conducted many raids and sabotage acts in the Federation of Malaysia (including Singapore). Beginning on 24 September 1963, Indonesia infiltrated saboteurs into both Singapore and Malaya, aiming to exploit racial tensions and undertake acts of sabotage to destroy vital installations. They resorted to exploding bombs indiscriminately to create public alarm and panic (Drysdale, 1984; Josey, 1980; Lee,

1998; Sutter, 1966; Turnbull, 1977). The price of food skyrocketed due to transportation disruption, making life in the new Federation of Malaysia more unbearable.

In 1965, amidst rising racial tensions and pressure from UMNO extremists, the Malaysian Prime Minister, Tunku Abdul Rahman, decided to expel Singapore from the Federation for a number of reasons. First, political rivalry between the PAP and the UMNO had escalated to such a degree that by mid-1965 the Tunku faced intense pressure from UMNO's right wing extremists to oust Lee Kuan Yew and the PAP. Second, the Tunku was losing control of the racial strife that was intensifying by the day. Third, the expulsion of Singapore was the only viable option since removing the democratically elected PAP Government by force would invite serious diplomatic clashes with the British and the Australians at a time when Malaysia badly needed their protection (DAP, 1969; Drysdale, 1984; Josey, 1980; Lee, 2000; Turnbull, 1977). Thus, on 9 August 1965, Singapore became an independent nation, left to fend on its own. Lee Kuan Yew's memoirs depicted Singapore's gloom during this period,

> We had been asked to leave Malaysia and go our own way with no signposts to our next destination. We faced tremendous odds with an improbable chance of survival. Singapore was not a natural country but man-made … we inherited the island without its hinterland, a heart without a body. Foreign press comments immediately after independence, all predicting doom, added to my gloom (Lee, 2003: 3).

Singapore's neighbours, Malaysia and Indonesia, both with populations which were predominantly Muslim and Malay, were determined to see her fail. The fact that Singapore's population, composed largely of non-Muslim Chinese, lived in a region inhabited mainly by Muslim Malays (but dominated economically by minority Chinese communities) tended to make matters worse (see Jamann (1994) for a historical view of the Chinese economic role in Singapore). Turnbull (1977: 328) cogently summed the negative sentiments against Singapore:

> Throughout her history the profits made by Singapore in providing the servicing infrastructure for the development of neighbouring areas, which were more liberally endowed with natural resources, had been a source of resentment. In modern times this acquired a new bitterness with racial undertones, since, despite her multi-racial policy, Singapore was essentially a Chinese city. While Malaysia and Indonesia tried to diversify the internal control of their own economies, the Chinese in both countries continued to play a dominant commercial role. Singapore remained the channel for a major part of the Chinese-controlled commerce of Southeast Asia, so that her prosperity was a source of political embarrassment and isolation in the region.The political leadership in Indonesia and Malaysia looked upon Singapore as an economic parasite (Turnbull, 1977: 328).

Malaysia wished to end Singapore's entrepot role in Southeast Asia by exporting through her own ports (Mohamad, 1970; Turnbull, 1977). In his book *Malay Dilemma* (1970), Mahathir bin Mohamad, Malaysia's fourth Prime Minister, summed up these bitter popular sentiments against Chinese hegemony in business in the land of the Malays (Mohamad, 1970).

This difficult period was made worse by the British Government's announcement, in early 1968, of the complete withdrawal of its troops from Singapore by 1971 (Lee, 2000; Turnbull, 1977). At that time, British military spending contributed about twenty percent of Singapore's GDP. This was equivalent to the direct loss of 30,000 jobs and another 40,000 jobs in support services – a massive blow to employment within a 1969 workforce of 610,000 (NTUC, 1980). In addition, this proposed withdrawal had serious implications for Singapore's defence and security because the Singapore defence force's only two battalions remained under the control of the Malaysian army commander and its police force was mainly composed of Malays. With Singapore having no self-defence capabilities and no protection after British withdrawal, it was open for Malaysia and Indonesia to attack Singapore at will (Lee, 2000; Turnbull, 1977).

Facing serious security threats, Lee Kuan Yew and his team knew they had to build up Singapore's defence capabilities before the British withdrawal. They made

multiple trips to London to convince the British Government to delay the pull-out for as long as possible and worked on a two-pronged approach to boost Singapore's defence capabilities. First, an amendment to the *National Service Ordinance* in February 1967 made it compulsory for all Singaporean males to join the army or police force for a period of two to two-and-half years. This boosted the numbers available to defend Singapore and greatly increased the ethnic Chinese component of the island's defence forces. Second, the Government purchased military hardware to make up for the armed forces' lack of numbers relative to its neighbours. By the late 1960s, the PAP had overcome the Marxist domestic threats. It also normalised relationships with its neighbours by co-founding the Association of SouthEast Asian Nations (ASEAN) on 8 August 1967, with Malaysia, Indonesia, Thailand and the Philippines (Lee, 2000; Trocki, 2006; Turnbull, 1977).

The urgent need for funds to purchase military hardware and to create jobs to fill the vacuum that would emerge in the wake of the imminent British troop withdrawal also acted as a stimulus to the process of industrialisation in Singapore. The PAP strategically chose to pursue export-orientated industrialisation. Its previous import-substitution industrialisation policy was no longer a viable option after Malaysia's ejection of Singapore deprived Singapore of a viable domestic market (Deyo, 1989; Huff, 1995; Kuruvilla, 1996). Deprived of this hinterland, Singapore's political leaders learnt from the Israeli experience and directed the focus of the national economy to international markets (Drysdale, 1984; Lee, 2000; Quah et al., 1985; Turnbull, 1977).

The success of Singapore's new policies depended heavily on attracting foreign direct investment (FDI) by offering a stable, flexible, low-cost and efficient workforce free from overt industrial disruption. The Government-led development of Singapore's Jurong Industrial Park to attract FDI was the beginning of Singapore's first industrial

revolution. The PAP Government selected Jurong – located in the western end of Singapore – for a number of reasons. First, its remoteness from residential and the central business districts rendered it suitable for the development of heavy industries. Second, the deep coastal waters in that area were suitable for developing a large port. In June 1968, the PAP formed the Jurong Town Corporation as a Government's statutory board – to oversee and manage the development of Jurong Industrial Park (Drysdale, 1984; Josey, 1980; Lee, 2000; Quah et al., 1985; Turnbull, 1977).

Within only five years of taking over responsibility for governing a small island state with few natural resources, the PAP Government had successfully overcome severe political challenges on a number of fronts. First, there were the challenges from Singapore's ethnic Chinese Communist elements. Second, there were the challenges of Singapore's volatile socio-political relationship with the largely Malay Muslim populations in surrounding states and, in particular, the Malay nationalist politicians who lead them (Lee, 2000; Mohamad, 1970). Third, there were the challenges of managing a tiny economy with no hinterland (Drysdale, 1984; Quah et al. 1985). Finally, there were threats from Indonesia's *Konfrontasi* (Sutter, 1966).

3.3 The PAP and the NTUC: Development of a Symbiotic Relationship

In these early difficult years, the PAP Government won an important psychological battle by replacing the Communist labour movement – that it suppressed – with a union movement loyal to the Government. The birth of the NTUC, in 1961 and its subsequent formal registration in 1964, marked not only what was to become a symbiotic relationship between the NTUC and the PAP but also a new beginning for Singapore's industrial relations – one based on compromise and cooperation (Anantaraman, 1990; Chew and Chew, 1995a; Chua, 1995; NTUC, 1980; Leggett, 1994; 2005; 2007). For employers and employers' associations, this was a positive

development as well. However, with memories of frequent strikes still fresh, labour-management relations remained fragile and full of suspicion (Anantaraman, 1990; Devan Nair, 1982; NTUC, 1980; NEC, 1970).

There are a number of important aspects to this symbiotic relationship. When established in 1961, the NTUC was weaker than the SATU, its competitor from the Communist labour movement. The labour movement split over the contentious ethnic issues central to the referendum on the Malaysia merger – and also triggered disillusionment about divisions in labour objectives. The PAP moved against the SATU, de-registering it as a union following the detention of Communist union leaders in 1963. Subsequently, union membership declined from a high point of almost 190,000 in 1963. This downward trend continued for some years – to 1970 (see Figure 3.1) – so that the PAP leadership had to find ways to sustain the labour movement loyal to itself. In response, they devised a number of initiatives including seconding civil servants to the NTUC and boosting the quality of the NTUC leadership through what Lee Kuan Yew later termed a 'strategy of cross-fertilisation'. According to Lee,

> To avoid … unnecessary misunderstanding and the risk of collision, the PAP and the NTUC have adopted a strategy of cross-fertilisation, to bind personal ties, to increase understanding between the government leaders and the union leaders. Able union leaders have been co-opted into the PAP leadership, fielded as Members of Parliament, and when found able, appointed to office. PAP [sic] MP's have been made to work in the unions to get to know union leaders and members, and their problems. Some have taken on full-time duties in the NTUC (NTUC, 1980: 6).

To further build the strategy, resources and expertises of NTUC unions, after the NTUC's watershed modernisation seminar in 1969 (see Section 3.6), the PAP provided the NTUC's cooperatives with access to state-owned land at heavily-discounted prices and tax rebates to develop their businesses, and allowed NTUC unions to benefit from a union dues check-off system. The NTUC Cooperatives arose out of the NTUC Seminar

in 1969 for three main reasons. They aimed to help stabilise prices of basic commodities and services; to protect and enhance the purchasing power of workers' wages; and to enhance good labour-management relations by providing union leaders with opportunities to see things from the perspective of employers (NTUC, 1970; NTUC Online, 2008). The check-off system allowed unions to collect membership dues from their members through payroll deductions. This greatly boosted NTUC's financial resources and its ability to recruit talented staff.

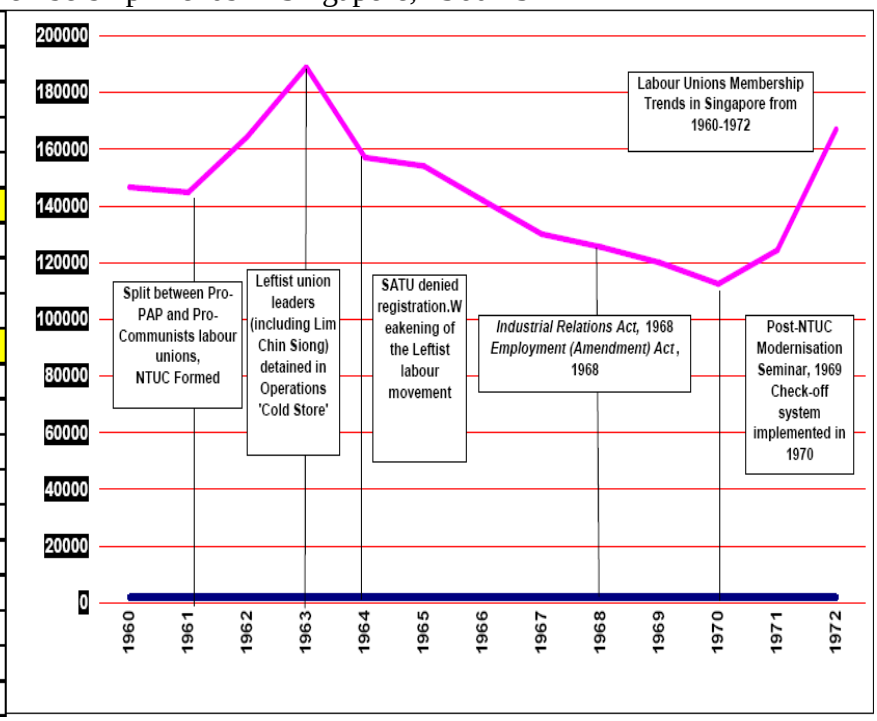
These elements, that tended to foster a symbiotic relationship, also laid the foundations for the wider Singaporean corporatist system as the PAP's leadership later extended particular elements of Singapore's system to include leaders from the employers' associations. According to Hamilton-Hart (2000), by incorporating strategically important individuals – for example, leading corporatist actors – into public office, such as through directorships of Government statutory boards, the PAP's leaders encouraged behaviours and strategic choices that would conform to their view of the state's interests,

> Because public and private actors inter-mixed at the apex of the Singapore power structure, the maintenance of clean and efficient government depends on governing institutions that encompass this mixed sphere. In many ways, this wider sphere is an extension of the formal government into a hybrid system that incorporates individuals from bureaucratic, political or business backgrounds. It is this wider system that has received their protection and also, to a certain extent, structured their behaviour (Hamilton-Hart, 2000: 206).

Thus, the establishment of the symbiotic relationship between the PAP and NTUC became part of a wider development of corporatism in Singapore that intermingled, leading individual actors as well as the institutions or organisations they represented.

Figure 3.1: Union Membership Trends in Singapore, 1960-1972

Year	No. of Members
1960	146579
1961	144770
1962	164462
1963	189032
1964	157050
1965	154052
1966	141925
1967	130053
1968	125518
1969	120053
1970	112488
1971	124350
1972	166988



Source: compiled by the author from NTUC, 1980: 20.

3.4 The Industrial Arbitration Court

Following enactment of the *Industrial Relations Ordinance*, the establishment of the Industrial Arbitration Court (IAC), on 15 September 1960, was a critical event in Singapore's industrial relations and broader political-economic development. Evidence of the PAP's systematic planning to create an institution for settling industrial disputes in an orderly manner, the IAC became the bedrock of Singapore's industrial relations. Not surprisingly, then, researches have paid it much attention (Anantaraman, 1990; Chalmers, 1969; Chew and Chew, 1995a; Deyo, 1981; Krislov and Leggett, 1985; Kleinsorge, 1964; Tan, 2004).

The IAC derived from Western Australia's model. IAC's President from 1964 to 1988, Tan Boon Chiang stated, "It is a form of tripartism but they do not call it a Tripartite Court. Based on the Western Australian pattern, we borrowed their model, chopped and changed to suit our situation" (Interview: Tan, February 2007).

The IAC performed three functions. First, it was to implement a "general system of collective bargaining". Second, it had the authority in "making contract rules where

the parties fail to make their own". Finally, there was the task of "interpreting and applying the contract rules whether made by the parties or by the Courts" (Chalmers, 1969: 84). According to Deyo (1981: 48), these functions came together as part of an overall role "which ensures compliance with legal provisions of employment legislation". In other words, by bringing labour unions and employers under one common formal institutional framework so that they could "take each other seriously in negotiation" (Chew and Chew, 1995a: 118), the IAC served to reinforce Singapore's emerging labour legislative regime. At the same time, the arbitration process also served to prevent either labour unions or employers from using their power to escalate a dispute through industrial action.

The IAC handled many cases when it started. Later on, according to Turnbull, it was "the labour legislation [referring to *Industrial Relations (Amendment) Act* and then the *Employment Act, 1968*] that was mostly responsible for almost eliminating strikes. In fact, 1969 was "the first strike-free year since the PAP came to office, and the second Industrial Arbitration Court was closed in January 1970 for lack of business" (Turnbull, 1977: 307).

The following extracts from the author's interview with Tan Boon Chiang revealed much about the operational mechanisms of the Industrial Arbitration Court. Tan Boon Chiang (2007) remembered that,

> At the beginning, it was difficult. But later on, they became more flexible and were able to concede to one another. You give me point A and I concede point B to you. So that sometimes, after 2 or 3 days of hearing they can settle [the dispute amicably]. It is very easy that way. So when the problems are resolved, I would direct them back to the registrar [of the Courts], they produced a written award and I approved the written awards.
>
> And of course by that time, we [the IAC] had set some patterns … There are so many previous collective agreements agreed upon and approved the courts; and they become the precedents for your next negotiation. So that brought about industrial peace. So through time,

> we are able to overcome all these initial difficulties which were not quite unexpected, so to speak. So in that sense, the IAC was kind of pioneer at that time on how we can make tripartism succeed.
>
> The members are nominated by NTUC and the Employers' Federation [SEF and NEC]; and they stay there for a period of time. For example we had a local man call CC Teo. He was highly valued by the employers' federation, overrun by expatriates at that time. They still wanted CC Teo. They still want a local to deal with the local unions because the local unions are more likely to settle with the local employers' representative. So there were a lot of subtle manoeuvres between the employers and the labour unions. The maturing process is slow. You cannot pinpoint a particular period of time when suddenly they became friendly. You cannot hope for that kind of thing (Interview: Tan, February 2007).

On the one hand, the "subtle manoeuvres between the employers and the labour unions" reflected the underlying inherent mistrust between unions and employers' representatives at that time. On the other hand, the IAC being a "kind of pioneer at that time on how we [it] can make tripartism succeed" was an example of the embedding of PAP-style pragmatism in a difficult area. As such, it also exhibited the consensus-seeking attitudes and behaviours that were to become fundamental to the Singaporean tripartite model of industrial relations. Furthermore, by saying "we had to set some patterns" and with no precedents to refer to prior to 1960, Tan Boon Chiang revealed that awards by the IAC in its early years of operation were largely the result of experimentation and trial and error – typical mechanisms for selecting a pragmatic approach to embedding other core PAP values like meritocracy and multiculturalism in industrial relations.

While widely recognised for its early crucial role in contributing to Singapore's industrial peace, the IAC did not become an institutionalised part of the Singaporean corporatist framework until the establishment of the symbiotic relationship between NTUC and the PAP Government on 8 January 1964. This encouraged a fundamental

shift in the IAC's role and orientation: in its rulings related to economic development issues, a greater emphasis on macroeconomic perspectives became evident.

From the beginning, the PAP sought to incorporate grassroots support into the new system by actively engaging workers and their unions. The appointment of the Court's first President, Dr. Charles Gamba, was a carefully calculated and strategically successful choice by the PAP Government. For Tan Boon Chiang (February 2007), Charles Gamba was an inspired choice because of his close relations with the labour unions,

> And he [Charles Gamba] was working all the time with the [labour] unions and that is why he was picked up to be the IAC President because the government wanted to make sure they consulted the labour unions. The government made sure the labour unions knew what they were doing right from the beginning because they didn't want troubles from the workers. Because the workers were also going to support the government politically (Interview: Tan, February 2007).

Nevertheless, the IAC's track record during its early years quickly dispelled any doubts. Despite PAP's political aspirations for the new system, Kleinsorge (1964: 564) argues that there was no evidence that the IAC displayed bias in discharging its roles,

> In spite of the various criticisms raised by the employers and the unions, both feel that the court is a permanent institution. The employers are aware of the influence that the court may have on the economy, and they are somewhat disturbed by the prospects … They fear that the court may be used for political purposes to keep a party in power rather than to promote industrial peace and the welfare of the economy. The employers acknowledge, however, that so far the court's influence has been toward its legitimate purposes … The employers do not always applaud the court's decisions, but they feel that the system has great virtue in settling arguments. The unions also accept the court. They are not contemplating a campaign to destroy it or to modify it seriously.

Publicly, as well as informally, the employers confirmed their growing positive evaluation of the IAC. In its 1961 *Annual Report*, the SEF claimed that "the Industrial Arbitration Court has yet to make its impact as an institution to uphold industrial peace with justice" (SEF, 1961: 3) but employers' scepticism was soon won over. Thus, by

1963, for the SEF, the IAC "continues to be the one stabilising and encouraging factor in an otherwise difficult position" (SEF, 1963: 5).

Kleinsorge's point (above) about the presumed permanency of the IAC was an important one in shaping the perspectives of unions and employers. The clear support of the PAP for the IAC gave the IAC the strength of institutional durability and legitimacy. This shaped the strategic choices of those parties. The quality of its judgements and personnel only increased those perceptions. The IAC's first ten years were its most challenging due to the historical legacy of the 1950s labour unrest. Industrial relations mistrust and enmity continued. Nevertheless, the IAC became a common ground where representatives from labour unions and employers could talk to each other in a neutral environment. Symbolically, it was also an important venue. IAC was a crucial PAP-designed institution whose purpose was to serve the PAP vision of a developmental state in which pragmatism, meritocracy and multiculturalism nurtured the key policy goals of political and social harmony, and a competitive, globally-oriented economy. As such, it was, in retrospect, inevitable for the IAC to become an important support for Singapore's corporatist framework. The ensuing section explains two examples of labour legislation that together represented another critical event in the development of Singapore's labour-management relations.

3.5 Amendment to the *Industrial Relations Act* and the enactment of the *Employment Act* in 1968

In 1968, a new *Employment Act* and amendments to the *Industrial Relations Act* were direct responses to the British Government's announced troop withdrawal. As described above, this announcement foreshadowed Singapore being suddenly left alone to defend itself against hostile neighbours. It also meant the prospect of very high levels of unemployment. Unknown to the ruling PAP at that time, it was also the catalyst for a series of landmark changes that fundamentally shifted the tenor of Singaporean

industrial relations from inherent mistrust to one of collaboration (Anantaraman, 1990; Chew and Chew, 1995a; Leggett; 1994; 1997; Quah et al., 1985; Turnbull, 1977; Tan, 2004).

Controversially, amendments to the *Industrial Relations Act* strengthened employers' legal prerogatives to manage without interference from unions, and also severely restricted unions' scope for collective bargaining. Furthermore, the new *Employment Act* mandated clearer definitions of employees' terms and conditions of employment. This provided much greater certainty as to labour costs, to the satisfaction of employers and their associations. However, this had a significant effect on the relevance and collective role of labour unions. As a result; the NTUC membership suffered a drastic drop during this period (see Figure 3.1).

While these two pieces of labour legislation were politically unpopular and controversial, their successful implementation had a number of important implications. First, while the PAP returned to power in the 1968 election, it did not take its mandate for granted. During parliamentary debate on the two legislative Bills, the PAP leaders took elaborate steps to prepare public opinion through numerous public and private discussions with grassroots leaders (Quah et al. 1985). Consequently, there were only small pockets of resistance to the new laws. It was this kind of consensus-seeking mechanism – a conception of consensus inherently shaped by the Singaporean context – in the making that later became a salient feature in Singapore's corporatist framework. Moreover, this critical event was one of many in which the PAP leaders cleverly capitalised on times of crisis to successfully promote politically unpopular policies (Anantaraman, 1990; Vasil, 2000).

The ensuing section explains how these two important labour laws triggered another critical event which became the turning point in Singapore's industrial relations.

3.6 The NTUC Modernisation Seminar in 1969

The significant drop in NTUC's membership prompted its leadership to organise the watershed NTUC Modernisation Seminar in 1969 (NTUC, 1970). In retrospect, this was a singularly important event for the labour movement, employers and their associations during that period. By then, Singapore's labour movement was very different from the movement of the 1950s and early 1960s. Instead of fighting against the legislative measures that weakened unions' ability to intervene and influence industrial relations outcomes through collective bargaining, the NTUC discussed ways to maintain relevance as a labour movement and to stem its membership decline. The then Singapore Deputy Prime Minister, Dr. Goh Keng Swee, later described the sentiments of the Government and NTUC after this landmark event,

> After a prolonged and painful soul searching the labour movement has charted a new course … . In essence, it means that the labour movement has decided to take a positive role in the development of the Republic's economy. It will cease to be a narrow, sectional pressure group whose interests and advancement are to be promoted at the expense of others … . All this is a far cry from the sullen resentment with which some trade unions greeted recent Government measures introduced to give effect to rational policies in labour-management relations (NTUC, 1970: v-vi).

Goh's comments effectively reflected the entrenchment of PAP's pragmatism ideology within the NTUC.

However, from organised labour's point of view, supporting Government initiatives for economic growth was one matter, but losing their core roles in collective bargaining was another, requiring immediate attention. The NTUC had to find innovative ways to boost membership. Singapore, still a third world country with a low standard of living, now faced the prospect of high unemployment from Britain's planned troop withdrawal. The income gap between the rich and the working class was huge. At the seminar, the delegates voted to operate cooperatives of taxi drivers (NTUC

Comfort), insurance (NTUC Income) and for consumers (NTUC Welcome, Denticare and Fairdeal) (NTUC, 1970; 1980). On the one hand, these cooperatives extended NTUC's services to its members. On the other hand, the cooperatives came to provide the NTUC with a regular stream of income needed to finance the organisation's growth.

3.7 Formation of the SEF and the NEC

Until the late 1960s, with constant politically-motivated industrial disruption and labour unrest, employers did whatever they could to eradicate organised labour (Kleinsorge, 1957a). However, their open hostility soon ebbed once employers realised that unionism was unlikely to disappear. Rather, employers decided to organise themselves (Anantaraman, 1990; Chew and Chew, 1995a). Their main employers' associations were SNEF's forerunners: the Singapore Employers' Federation (SEF) and the National Employers' Council (NEC).

On July 1948, 23 employers formed a trade union of employers known as the Federation of Industrialists and Traders in Singapore. In April 1955, that association changed its name to the Singapore Employers' Federation. These employers were primarily British MNCs whose main objective was to promote and protect their collective interests against anti-colonial sentiments and rising threats from the local labour union movement. Operationally, this included activity to coordinate wage levels, stabilise labour market conditions and prevent 'whipsaw' – divide and rule tactics – by labour unions (Kleinsorge, 1957b). As such, the formation of the SEF was consistent with the Western-based employers' association literature including that on Japan (Derber, 1984; Johnston, 1962; Shirom and Jacobsen, 1975; Taira, 1973).

Despite SEF's existence since 1948 as an employers' association with a labour-related focus, in 1965 a group of employers, seeking to defend the collective interests of local and Japanese employers, founded the National Employers' Council. Ex-NEC

President (and incumbent SNEF President Stephen Lee) recalled the formation of the NEC and why members of the NEC did not join the SEF from the outset,

> SEF had a longer history, formed during the British days for many of the British trading companies; the more established companies ... . Why did NEC not join SEF? This particular group were mostly manufacturers. They had some unique problems and therefore grouped together to form NEC. But SEF at that time had a more international outlook. But for both organisations, industrial relations were always a foremost concern because there were a lot of strikes and industrial unrest back then (Interview: Lee, February 2007).

With the formation of the NEC, Singapore had two employers' associations with an industrial relations focus. While the SEF and the NEC shared similar objectives – to protect the interests of their members in industrial relations and other labour-related matters – it is important to note that their respective memberships differed greatly in terms of the nature of their business activities and mode of operations. The SEF's members comprised mainly of the big European and American MNCs who saw in Singapore's strategic location the gateway to Asia. They focused their operation accordingly. The NEC's members saw Singapore as a low-cost manufacturing base and thus were relatively more cost-conscious during the 1960s and early 1970s (Begin, 1995; Trocki, 2006; Turnbull, 1977). The emergence of these two employers' associations and their engagement with the NTUC developed another important institutional foundation for Singapore's corporatist framework.

3.8 The SEF Internal Dynamics, 1962-1967

As mentioned in Chapter Three, the SEF largely represented MNCs and large local SMEs (Kleinsorge, 1957b). The SEF organised its membership into eleven industrial groupings (see Figure 3.3). These included Singapore's major business interests which reflected the composition of Singapore's economy at that time (Chen, 1983; Huff, 1994; You and Lim, 1971). The PAP recognised this by viewing the SEF as a main national employers' association in Singapore. It invited the SEF to participate in

discussions of national issues and provided the SEF with a seat on the important Central Provident Fund (CPF) Board and at the Industrial Arbitration Court.

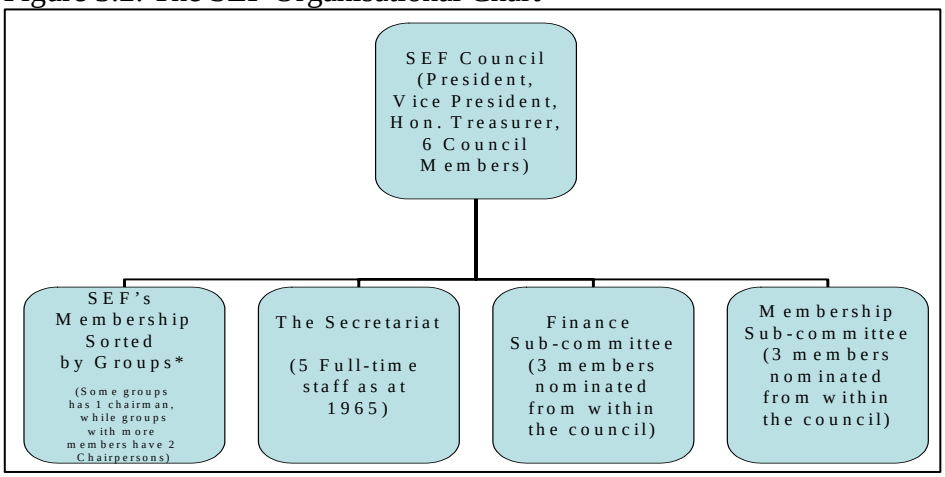
The SEF Council was its policy-making body, holding regular meetings at least once a month or whenever urgent issues needed discussion. Each industry group Chairman held monthly meetings "in order to exchange views on matters affecting their particular Group" and reported the outcome at the monthly Council meetings (SEF, 1962: 2). Both Council members and the Chairmen of the industrial group were elected annually by members (SEF, 1966: 8).

Furthermore, the SEF's heavy financial dependence on membership dues limited resources available to the SEF Secretariat and consequently limited the scope of its activity. As a result, and in confirmation of the Pfeffer and Salancik (1978) resource dependence theory (RDT), this heavy dependence for funding meant that the SEF members held great sway over its strategic decisions. This explains the Secretariat's early attention to routine administrative support for the Council and group meetings. As well as these meetings, it also organised functions for networking purposes and provided limited assistance to members with collective bargaining and appearances before the IAC (Chew and Chew, 1995a). As at 1965, the SEF Secretariat consisted of five full-time staff.

The Finance Sub-Committee assisted the Council in decisions concerning the SEF's financial matters. The Membership Sub-Committee approved applications for and resignations from membership. Effectively, it set the 'structure' of the SEF. While the SEF Constitution allowed employers of any size to join, its relatively high membership fees discouraged smaller companies from joining. In fact, the SEF members had to pay a flat annual fee regardless of their size (Kleinsorge, 1957b). The workforce size of the SEF members typically ranged from 30 to a couple of thousand

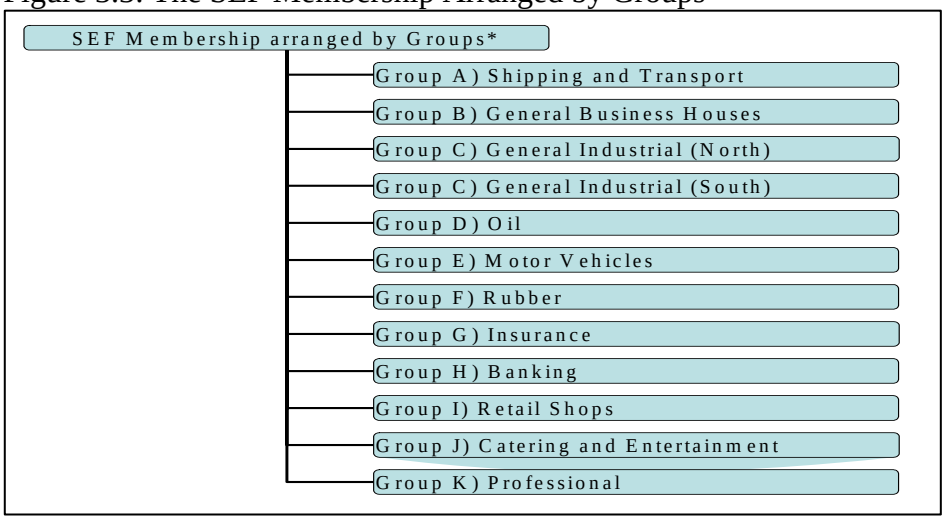
employees (Kleinsorge, 1957b). The Membership Sub-Committee assisted the SEF Council in maintaining good relationships with its members. This was an important role because SEF derived its main income from membership subscriptions.

Figure 3.2: The SEF Organisational Chart



Source: compiled by the author from SEF, 1965: 1-3, 5, 8.

Figure 3.3: The SEF Membership Arranged by Groups



Source: compiled by the author from SEF, 1965: 4.

Due to the diversity of its membership base, the SEF was not as cohesive as the industrial employers' associations such as the ones in the tin and rubber industries. The SEF did not have power to enforce its policies on individual members and there were no rules to expel a member for not complying with the Federation's policies. Instead, it had to depend on moral persuasion (Kleinsorge, 1957b; SEF, 1963). Nor did members give up their autonomy over industrial relations practices despite the SEF policy. One example involved pay bargaining with unions in the early 1960s,

> It is noted with regret, however, that a number of members appear to pay little attention when dealing with Unions to awards of the Courts which have established principles or rulings on matters of procedure which are exceedingly important and useful to employers ... . It is an attitude, moreover, which is extremely discouraging to members of the federation's staff who have secured such rulings from the Courts after the expenditure of considerable time and work (SEF, 1963:5).

Table 3.1 depicts the SEF membership trends between 1962 and 1967. The steady increase in the SEF membership during this period is strong evidence of the effectiveness of the SEF leadership. Despite high membership dues and its very limited provision of selective services, the SEF continued to attract new MNCs and large local SMEs. Given that industrial relations between the late 1940s and the 1960s were generally acrimonious, the growth of the SEF reflected the need on the part of employers to have a representative association that would promote their collective interests.

Table 3.1: The SEF Membership Trend, 1962-1967

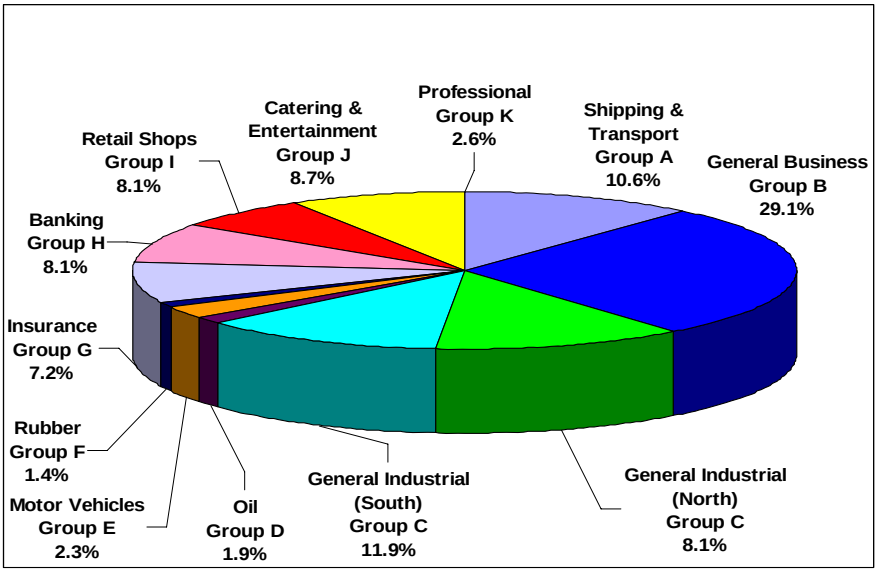
SEF Membership Groupings		1962	1964	1965	1966	1967
A	Shipping & Transport	31	36	37	36	40
B	General Business	77	99	100	107	114
C	General Industrial (North)	33	23	26	29	28
C	General Industrial (South)	33	37	39	47	47
D	Oil	4	7	7	7	7
E	Motor Vehicles	7	8	9	7	8
F	Rubber	3	5	5	5	6
G	Insurance	23	24	24	25	26
H	Banking	22	28	29	30	30
I	Retail Shops	18	29	31	30	30
J	Catering & Entertainment	24	31	33	31	30
K	Professional	na	10	11	12	11
SEF Total Membership (Numbers):		275	337	351	366	377

Source: compiled by the author from SEF, *Annual Reports*, 1962-1967.

Figure 3.4 indicates the diversity in the SEF membership base. More importantly, it shows that Groups A – Shipping and Transport; B – General Business;

and C – General Industrial (North and South), constituted nearly half of total SEF membership. The prominence of these three industrial groups depicts a clear picture of shipping, transport and manufacturing as the main focuses of economic development in Singapore during this period. In response, the SEF provided these three groups (plus Group H - Banking) with an additional representative each on the Council. For example, SEF President, M. Lewis, of Fraser and Neave Ltd, the largest drinks and beverage manufacturing conglomerate in Singapore, sat on the SEF Council as well as being Chairman of industrial group C, General Industrial (South) (see Table 3.2 and 3.3).

Figure 3.4: The Average Composition of the SEF Membership, 1962-1967



Source: compiled by the author from SEF, *Annual Reports*, 1962-1967.

From 1962 to 1967, the SEF's main activities focused on three areas of concern to its members. First, there was the SEF's response towards labour unrest and disputes in Singapore. However, the development by the PAP of a new institutional framework changed the terms of SEF engagement with industrial conflicts. Thus, by the early 1960s, the existence of the *Industrial Relations Ordinance* and the Industrial Arbitration Court meant that labour disputes – which involved mostly collective agreements – were settled within the IAC. The SEF played an active role in representing members as well as providing them with advice on these matters.

Second, the SEF played an active and crucial role in providing feedback and employers' responses towards proposed or actual changes in Government legislation and policies. Given that it was highly representative of the major business interests in Singapore, the PAP Government accorded it greater legitimacy on industrial relations matters than previously, often seeking to consult its leadership on labour-related policy. In turn, the SEF was able to quickly collate feedback from its members via the Chairmen of its respective industrial groups. This became another method of consensus-building that facilitated the legitimisation of Singapore's labour-related policies through quick feedback loops between employers, the SEF and the PAP Government. In the process, it greatly enhanced the SEF's position as the main national employers' association.

Third, the SEF's industrial group activities mainly involved collective bargaining and arbitration. This was because personnel (HR) departments of many businesses were not as developed in the those days and many personnel managers had limited knowledge of dealing with labour unions, negotiating collective agreements and other labour-related matters such as occupational health and safety (Kleinsorge, 1957b). The SEF was able to provide valuable assistance to members across this field of activity. In sum, the SEF's contributions to its members were largely in the form of collective goods (as described above). As well, the SEF Secretariat also began developing linked (and supporting) selective goods such as developing survey of employee pay and conditions and providing this and other relevant data to members (SEF, *Annual Reports*, 1962-1967).

There are a number of important observations that can be derived from Tables 3.2 and 3.3. First, they depict the stable leadership patterns within the SEF Council and various industrial groups during the five years leading up to 1967. The SEF Council

featured prominent business leaders such as M. Lewis (Fraser and Neave Ltd), R.C. Hubball (Sandilands Buttery and Co. Ltd), R.C. Beale (Prudential Assurance Co. Ltd) and G.C. Thio (Bata Shoe Co. Ltd). The SEF Industrial Group Chairmen include W. Anthonisz (Malayan Airways), J.L.M. Gorrie (Straits Steamship Co. Ltd), Lim Hong Keat (Metal Box Company of Malaya Ltd) and D.J. Strong (Guthrie & Co. Ltd).

Given that the SEF Constitution gave each member company one vote regardless of its workforce size in its Council elections, we can assume that the SEF Council members were elected based on their perceived merit rather than the ability of the larger companies to build bloc votes. Indeed, the former SEF Honorary Secretary, Boon Yoon Chiang, recalled that the SEF did not experience any power struggles and that Council members saw their volunteering of time and effort as a service to Singaporean society (Interview: Boon, January 2009). Furthermore, it would be difficult to imagine that an organisation subjected to constant internal power struggles would exhibit such a clear picture of stable leadership.

Second, the companies represented on the SEF Council tended to remain the same even though the names of Council members changed given that some served only one or two terms. Examples of prominent local and foreign companies consistently featured in the Council and Industrial Groups include: Malayan Airways and Straits Steamship Co. Ltd – both leading companies in Singapore's strategically important shipping and transport industry; Guthrie & Co. Ltd – a prominent general trading company; Metal Box Company of Malaya Ltd – a well-established local manufacturing company, and Fraser and Neave Ltd – a major local beverage company. This indicated the prominence of certain companies in Singapore's economy. Naturally, given the SEF's clear intention to remain the leading national employers' association, its

leadership invited representatives from these prominent companies to run for a seat on the Council.

Third, while both local SMEs and MNCs were well represented, non-local senior managers elected to the SEF Council out-numbered the local senior managers. This was in stark contrast to the SEF's much newer counterpart – the NEC. The NEC Council mostly comprised local senior managers (NEC, 1976). This contrast reflected the different essential natures of two employers' associations despite both having a similar focus on industrial relation matters. This is further evidence that local companies felt that they had to form the NEC in 1965 despite the existence of SEF.

Finally, because the SEF did not have the authority to enforce rules on its members and depended largely on moral persuasion, the SEF Council needed to exhibit strong and stable leadership. Indeed, it was through such leadership that the SEF Council was well able to maintain "associability" and "governability" for its membership-based association. These were considerable achievements for an association with such a diverse membership – by sector, size and ownership – in a period of significant policy anxiety and change. One of the results of these successes was the SEF's rising membership (see Table 3.1) and gradually expanding range of activities.

In summary, one can easily picture the SEF's elected leadership as a group of expatriate senior managers consistently representing the same group of companies. In the Singapore of the mid-1950s to mid-1960s, they faced dealing with demanding and sometimes politicised labour unions as well as a newly elected-PAP Government with ambitious new policies and other external pressures. Evidence from interviews conducted by the author suggests that this stability also helped maintain stable

consensual patterns of formal and informal influence within the SEF and, consequently, similar patterns of decision-making.

Despite the potential complexities arising from associating its diverse membership, the SEF's stable leadership pattern allowed Council members to work closely with each other over a number of years. This, in turn, encouraged them to formulate a collaborative pattern of influence within the SEF. The ensuing section explores this further.

Table 3.2: The SEF Council Members, 1962-1967

Position	1962	1964	1965	1966	1967
President	M. Lewis, Fraser & Neave Ltd.				R.C. Hubball, Sandilands Buttery & Co. Ltd.
Vice President	R.C. Hubball, Sandilands Buttery & Co. Ltd.				C.T.Smith, Firestone Tire & Rubber Co. (SS) Ltd.
Vice President				G.C.Thio, Bata Shoe Co. Ltd.	
Treasurer	R. Blyth, Prudential Assurance Co. Ltd	R.C.Beale, Prudential Assurance Co. Ltd			
Council Member	R.C.H. Johnson, Anglo-Thai Corporation Ltd.	E. Haller, Diethelm & Co. Ltd.			
Council Member	B.V. Salenius, National Carbon (Eastern) Ltd.	R.J.Gray, Hume Industries (FarEast) Ltd.		B.V. Salenius, National Carbon (Eastern) Ltd.	Oei Tjong Ie, Kian Gwan (M) Ltd.
Council Member	L.B.McCarthy, Guthrie & Co. Ltd.	G.C.Thio, Bata Shoe Co. Ltd.			A.W.Christie, Singapore Glass Manufacturers Co. Ltd.
Council Member	R.C. Hubball, Sandilands Buttery & Co. Ltd.				
Council Member	H.M.J. Jensen, Singapore Traction Co. Ltd.				
Council Member	S.J.G. Griffiths, Straits Trading Co. Ltd.	R. Holmes, Straits Trading Co. Ltd.	A.J.Trienen, P.A.R. Malayan Paintworks Ltd.		

Source: SEF Annual Reports, 1962-1967.

Table 3.3: The SEF Industrial Group Representatives, 1962-1967

SEF Groupings	1962	1964	1965	1966	1967
A -Shipping & Transport	Seet Leong Seng, Malayan Airways	W. Anthonisz, Malayan Airways			
A -Shipping & Transport	J.L.M. Gorrie, Straits Steamship Co. Ltd.				
B -General Business	L.E.J. Shelley, Borneo Co. Ltd.	K. Gould, Borneo Co. Ltd.	E.G.Waller, Borneo Co. Ltd.		
B -General Business	H.Pfrunder, Diethelm & Co. Ltd.	L.B.McCarthy, Guthrie & Co. Ltd.	D.J.Strong, Guthrie & Co. Ltd.		
C - General Industrial (North)	J. Allan, Hume Industries (FarEast) Ltd.	B.V. Salenius, National Carbon (Eastern) Ltd.		R.J.Gray, Hume Industries (FarEast) Ltd.	
C - General Industrial (North)	R.C.Cotton, Metal Box	Lim Hong Keat, Metal Box Company of Malaya Ltd.			
C - General Industrial (South)	M. Lewis, Fraser & Neave Ltd.				J.D.H. Neill, Fraser & Neave Ltd.
C - General Industrial (South)	F.Haynes, Singapore Glass Manufacturers Co.	B. Clarke, Singapore Glass Manufacturers Co.	A.W.Christie, Singapore Glass Manufacturers Co. Ltd.		G.C.Thio, Bata Shoe Co. Ltd.
D - Oil	A.J. Wemyss, Shell Company of Singapore Ltd.	B. Collins, Shell Malaysia Ltd.	R.M.Harcourt, Shell Malaysia Ltd.		
E - Motor Vehicles	R.G.Beale, Wearne Brothers Ltd.				
F- Rubber	C.T.Smith, Firestone Tire & rubber Co. (SS) Ltd.	R.C. Larson, Firestone Tire & rubber Co. (SS) Ltd.	C.T.Smith, Firestone Tire & Rubber Co. (SS) Ltd.		
G - Insurance	R. Blyth, Prudential Assurance	R.C.Beale, Prudential Assurance	B.C.Eady, Commercial Union Assurance Co. Ltd.		
H - Banking	J.B.Collier, Chartered Bank	C.McCulloch, Chartered Bank			P.A.G. Harris, Chartered Bank
H - Banking	L.C.Goh, Overseas Chinee Banking Corporation Ltd.				
I - Retail Shops	T.G. Cotterell, Cold Storage (S) Ltd.		S.R. Parker, Cold Storage (S) Ltd.		
J - Catering & Entertainment	John Ede, Cathay Organisation	Tan Kim Chuan, Cathay Organisation			Phillip Seow, Goodwood Park Hotel
K - Professional		T.S.C. Mcllwain, Evatt&Co.	D.A.Beaton, Turquand Youngs & Co.		J.G.C. Thomson, Cooper Bros.&Co.

Source: SEF Annual Reports, 1962-1967.

3.9 The SEF Strategic Response to the NTUC Modernisation Seminar

From the point of view of employers, the NTUC Modernisation Seminar was a positive development in that it marked the end of a confrontational labour movement. In fact, the NEC now officially (and without apparent irony) addressed the NTUC as "our friends" (NEC, 1970: 19). This was a significant gesture of reconciliation given that only a little earlier, labour-management relations in Singapore were acrimonious. Furthermore, having seen the labour movement take the initiative to stem declining membership, the employers' associations in Singapore, such as the NEC, similarly saw a need to urge their own members to 'modernise',

> The Council has read, with great interest, the modernisation resolutions and programmes which our friends in the NTUC have charted out … let us not forget that employers themselves have the need to prepare themselves for the 1970s … We emphasised the fact which we have said over again in the past many years, you cannot run your company as your grandfather had done before you (NEC, 1970:19).

On the other hand, the sombre tone of NEC President Richard Lee's speech at NEC's Annual Dinner in 1971 implied that, while the NTUC landmark policy shift was seen as a positive development, labour-management relations still remained only cautiously cooperative in practice,

> At this juncture of time, it can be said that Management, Union and Government have reached another cross-road in the field of industrial relations and labour policies [referring to NTUC Modernisation Seminar] … the period 1971/72 ahead can be difficult ones. We would ask all members to examine and to analyse carefully the various problems that they will have to face, the problems which the country will have to face and to take positive steps in the general interests to attune themselves (NEC, 1970: 20).

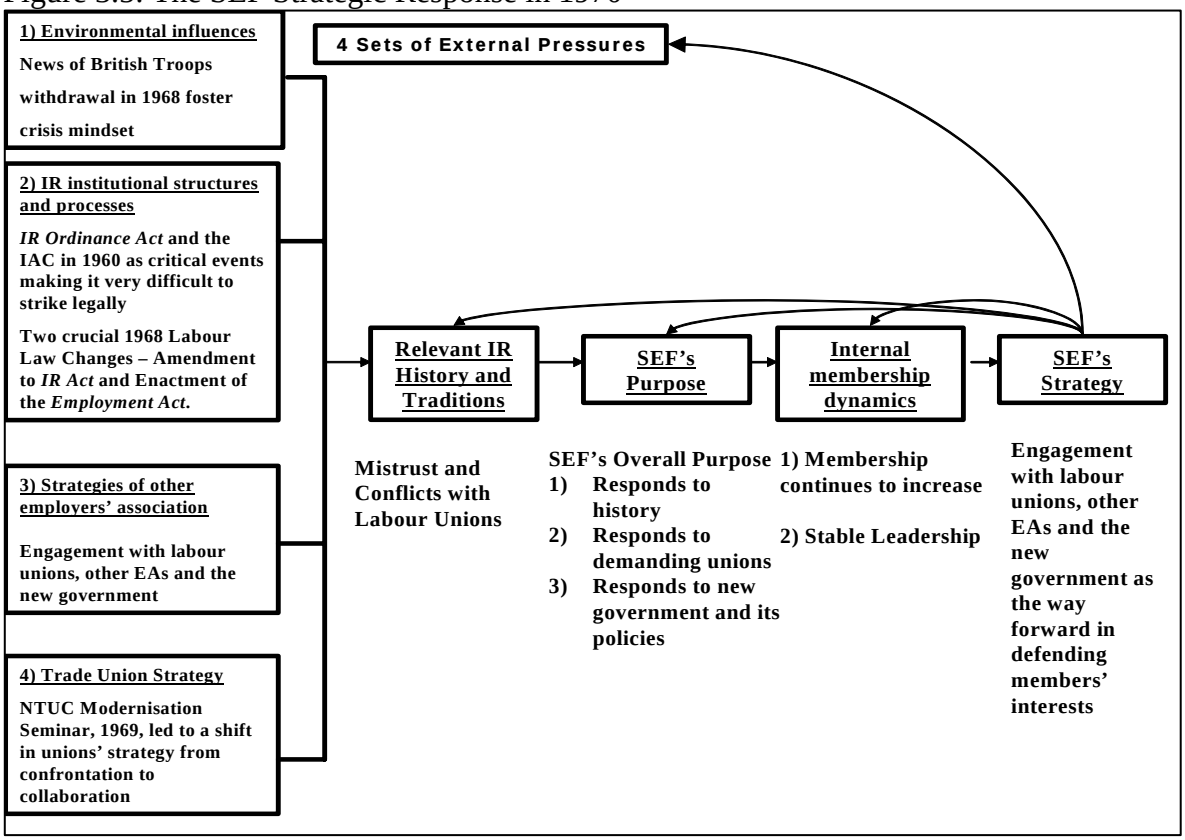
Overall though, in response to the decisions taken at the NTUC Seminar, employers and the employers' associations had clearly changed their attitudes towards engagement with the labour movement. Employers' associations now recognised a need

to reciprocate the labour movement's new non-confrontational and collaborative attitudes.

This section deployed Sheldon and Thornthwaite (1999) employers' association strategy model to illustrate SEF's strategic response to the 1969 NTUC seminar from the perspectives of employers and their representative bodies (see Figure 3.5). Through the application of this model, the author seeks to explain the relationship between the SEF internal dynamics and its external roles/behaviour. Importantly for this chapter, the model provided a mechanism for understanding the historical development of relationships between an association, its environment and its internal dynamics. Further, it allows an important point of comparison with application of this model for examining the SNEF in later chapters.

The earlier sections provided the context for the four sets of external pressures in Sheldon and Thornthwaite's model. Under the first set of external pressures – environmental influences – this chapter mapped out the PAP's journey through political struggle to maintain power in its early years of government. The implications of this struggle were far-reaching. The failure of the PAP at that time would most likely have meant a bleak fate for Singapore as a whole. Employers and employers' associations together with workers and labour unions, had vested interests in the survival and success of Singapore. Yet neither survival nor success was guaranteed. Employers, including members of the SEF and the NEC, would have been aware of the bleakness of Singapore's prospects right after Malaysia ejected Singapore in 1965. Moreover, in 1968, barely three years after independence, the British Government's announcement of troop withdrawals created another crisis in the minds of Singapore's workers and employers.

Figure 3.5: The SEF Strategic Response in 1970



Source: author analysis.

The PAP was able to capitalise on this chain of events to inculcate its ideology. This, then, was an important element framing the SEF strategic choices, just as it was for the NTUC and the union movement it headed.

Under the second element – "industrial relations institutional structures and processes", this chapter explored the events that contributed to laying the foundations of the PAP's particular corporatist framework. The establishment of the *Industrial Relations Ordinance* in 1960 was the first step. The *Industrial Relations Act* made it very difficult for labour unions to take legal industrial action in Singapore and the disbanding of SATU in 1963 reinforced this government-directed imposition of industrial peace. With union militancy effectively uprooted through law and the destruction of its main organisational avenue, the establishment of the Industrial Arbitration Court provided labour unions and employers with a common institutional framework within which to interact and engage with each other but only in ways that

met the PAP's corporatist preferences. Such interactions and engagement between these two traditionally adversary groups provided their practitioners with valuable experience in institutional and organisational learning for later years.

The third factor – the SNEF's other predecessor, the NEC, also had to deal with employers' persistent negative perspectives towards the labour movement. This was the case despite the fact that the PAP-backed and influenced NTUC had, by 1970, largely taken control of the labour movement at the NTUC seminar. Despite these misgivings within employer ranks, for its part, the NEC responded positively to the employment-driven strategies of the labour movement. Once again, the strategies of the NEC and the SEF respectively influenced each other's strategic choices. Because they co-existed as different but not mutually hostile organisations, they had opportunities to compare notes on how to deal with labour-related issues collectively. Providing structural opportunities for these exchanges were the two associations' joint memberships of some Government boards such as the Central Provident Fund Board and working committees such as the State Economic Consultative Council.

Their representative engagement in the PAP-designed tripartite bodies thus helped the NEC and the SEF develop close working relationships with Government and the NTUC practitioners within Singapore's consensus-driven corporatism. It also helped them professionalise their activities and representative expertise. Further, it raised their legitimacy and authority within employer ranks and in the wider Singaporean society. Finally, it encouraged constructive and respectful working relationships amongst the leading practitioners of both employers' associations. All these factors made it both easier and more 'natural' for the SEF and the NEC to merge in 1980 and form the SNEF.

Under the fourth factor – trade union strategy – the trigger point for change in the NTUC strategies came with the two crucial 1968 labour law changes. These triggered the watershed 1969 NTUC Seminar where the labour movement decided in favour of employment-driven (integrative) strategies through collaboration with the Government and employers, rather than engaging in the zero-sum game of driving their sectoral interests.

The question here is, how did the SEF's internal dynamics respond to these four external pressures through Sheldon and Thornthwaites's two lens of "relevant industrial relations history and traditions" and "SEF's purposes"? The existing literature provides plentiful discussion of the experiences of the SEF and other employers' associations with organised labour up to that point. The overwhelming impression is that those experiences were, for employers' associations, mostly unpleasant (Anantaraman, 1990; Chew and Chew, 1995a; SEF, 1962-1967; Turnbull, 1977). Thus, while the unpleasant labour-management relations of the past were still fresh in the minds of the SEF Council members, dramatic changes to some of the four external pressures were sufficient reasons to warrant a change in the SEF strategies. In effect, organised employers had few other options but to change direction, given the determined push by the labour movement and the Government for a non-confrontational approach in industrial relations matters. The SEF risked losing its institutional legitimacy and with that, its authoritative position as the leading national employers' association in Singapore. The SEF strategic choice in response to the NTUC Seminar was to engage collaboratively with the NTUC labour unions, other employers' associations and the PAP Government as the preferred approach to defend the SEF members' interests. Collectively, this represented a turning point for Singapore's labour-management relations.

This change in external posture came more easily because of the SEF internal dynamics which was highly consensual, in large part due to the stability within its leadership. In common with the pattern emerging throughout the 1960s, its choice in 1970 displayed strategic behaviour that was pre-emptive, engaged and collaborative.

3.10 Summary and Conclusion

This chapter presents a number of critical events that were important to laying the foundations for Singapore's corporatist framework. First, the struggles of PAP's early years in power shaped its four key ideological perspectives. These ideologies became the PAP's mantra which it actively promoted as Singaporeans' "commitment to a common ideology" (Chalmers, 1969: 27). More recently, it has promoted them as "shared values" (Chua, 1995; Cunha, 1994; Hill and Lian, 1995) for the "prosperity and progress for our nation". Very importantly, these perspectives have directly and indirectly influenced Singapore's formal and informal institutions – including its corporatist framework – which, in turn, set the IR 'rules of the game' in Singapore (Chua, 1995; Deyo, 1981). Second, the birth of SNEF's two predecessors – the SEF and the NEC – and their engagement with the labour movement in the 1960s within the new legal framework and the new Industrial Arbitration Court, provided valuable experience and learning which the SNEF could later draw upon.

This chapter also demonstrates that Singapore's renowned tradition of harmonious labour-management relations did not happen overnight and indeed, the labour-management relations in Singapore's early years often demonstrated distrust and uneasy co-existence. This chapter's focuses on the characteristics of labour-management relations during Singapore's early years, how these changed, and why. In particular, it explains the circumstances that made possible the transformation of

Singapore's labour-management relations from a model based on distrust and confrontation to one of harmony and collaboration. The next chapter will continue to examine the behaviour of employers' associations in the next period with particular focus on the SEF.

CHAPTER 4

The SEF: The NWC, THE DEVELOPMENT OF INCOMES POLICY AND SINGAPORE'S SECOND INDUSTRIAL REVOLUTION 1972-1979

4.1 Introduction

As seen in the previous chapter, Singapore, in the late 1960s, overcame a series of nation-threatening events prior to entering its first industrial revolution. It examined the turning point, in 1970, for Singapore's labour-management relations; and roles of the SNEF's two predecessors within Singapore's PAP-directed political economy. This chapter turns our attention to a period of high growth emerging from the success of the PAP-orchestrated first industrial revolution. The role of the state is, not surprisingly, the focus of the existing literature (Anantaraman, 1990; Chan, 1986; Chew and Chew, 1995a; Huff, 1995; Leggett, 2007; Rigg, 1988; Schregle, 1982).

Between 1972 and 1979, Singapore's average annual growth in GDP was 8.5 percent, with the leanest growth (4.1 percent in 1975) resulting from the 1973 oil shock. Ventures such as the Jurong Industrial Park, part of the PAP export-oriented industrialisation policy, successfully attracted export trade-seeking FDI in labour-intensive manufacturing. These new foreign investment enterprises (FIEs) were initially concentrated in textiles and electronics (Hobday, 1994; NTUC, 1980; Pang, 1982). This was a mutually beneficial partnership for the PAP government and MNCs. On the one hand, export-oriented FIE enabled the MNCs to capitalise on Singapore's low corporate tax rates, low wage labour and stable industrial relations to produce goods for export into foreign markets (Suh and Seo, 1996). On the other hand, the PAP achieved employment maximisation. During this period, the manufacturing and trading sectors effectively became Singapore's main engine of growth (Kim, 1978; 1979).

In this period the PAP objective in pursuing stable industrial relations shifted from political to economic considerations. Whereas the PAP's earlier focus centred on gaining control of the labour movement from the Communists' hands, the PAP's focus now turned to creating an investment environment favourable to foreign investors who would appreciate stable industrial relations and whose investments would be conducive to job creation. Thus, it was not surprising that tripartite committees began to appear, focusing on fostering a more attractive investment environment within Singapore's corporatist framework. The most notable and strategically-important government statutory boards, such as the National Productivity Board (NPB) and the Central Provident Fund (CPF) Board, included representation by unions and employers. Indeed, the formation in 1972 of Singapore's first tripartite committee – the National Wage Council (NWC) – was one of the critical events that marked this period. It signified the establishment of a formal corporatist framework and a national incomes policy for Singapore. It also illustrated the PAP's dominant role in designing and implementing the corporatist framework and the institutional structures that supported it. The other critical event was Singapore's second industrial revolution which the PAP orchestrated in 1979 and which initiated a series of changes leading to the formation of the SNEF in 1980.

The research literature on Singapore's industrial relations varies in its interpretations of this period. One approach views it as the incomes policy period during which the establishment of the NWC and its incomes policy marked a new era in Singapore's industrial relations focusing on employment maximisation via encouraging FDI (Chew and Chew, 1995a). More recently, Leggett (2007) identified the period as marking a distinct transformation of Singapore's industrial relations from pluralism to corporatism. Leggett (2007: 649) sees the PAP's primary objective for this shift in the

period up to 1978 as “peaceful industrial solutions” driven by “labour-intensive rapid industrialisation” through the FIEs.

This chapter continues to examine the development of Singapore’s industrial relations through the perspectives of Singapore’s employers’ associations; and in this case, the SEF. To provide a basis for comparison of strategic choices made by the SNEF and its predecessors through time, this chapter continues to apply Sheldon and Thornthwaite’s (1999) model. This enables exploration of the SEF’s strategic choices in the light of its internal dynamics, external environment, and the interaction of these two spheres (Jun and Sheldon, 2007).

This chapter also seeks to answer questions that derive from this model. How did its external environment condition the SEF and its response? What roles did the SEF play during this period? What were the main elements of the SEF’s internal dynamics? And, how can we explain the relationship~~s~~ between the SEF’s internal dynamics and its strategic choices? The ensuing section describes the establishment of a key corporatist institution in Singapore: the NWC.

4.2 The National Wages Council and Incomes Policy

The previous chapter analysed the difficulties the PAP government faced in its early years. Within the labour market, there were major tensions arising from the absence of a wage-coordinating mechanism and the level of suspicion between key parties. In Singapore, during the colonial period, large multinationals – mostly British-owned trading companies – adopted a seniority-based wage system and generally paid higher wages. Local firms, mostly in the hands of owner-managers, engaged in paternalistic remuneration practices, paying low basic wages supplemented by numerous allowances and a significant year-end bonus. While the coexistence of these two different systems was viable under colonial rule, this was not the case under a

government which actively sought to manage the economy and the labour market (Tan, 2004). Added to this, the labour movement held a view of employers and employers' associations as extortionate exploiters. Employers saw organised labour as disruptive. As a result, labour-management relationships in Singapore during that period had ranged from cautious coexistence to outright confrontation (Anantaraman, 1990; Kleinsorge, 1957a; 1957b; Turnbull, 1977).

In this context, the establishment of the NWC in 1972 was significant for several reasons. The NWC's primary purpose, from its inception, was to set wage guidelines that complemented the PAP's economic growth strategies during a period of full employment and labour shortages (Leggett, 2007; Lim and Chew, 1998; Pang, 1981; 1982). The NWC also provided an institutional vehicle for developing and coordinating a national wages policy based on specific operational principles. In addition, the NWC, in the view of employers, reinforced the rules of engagement with labour unions and the government.

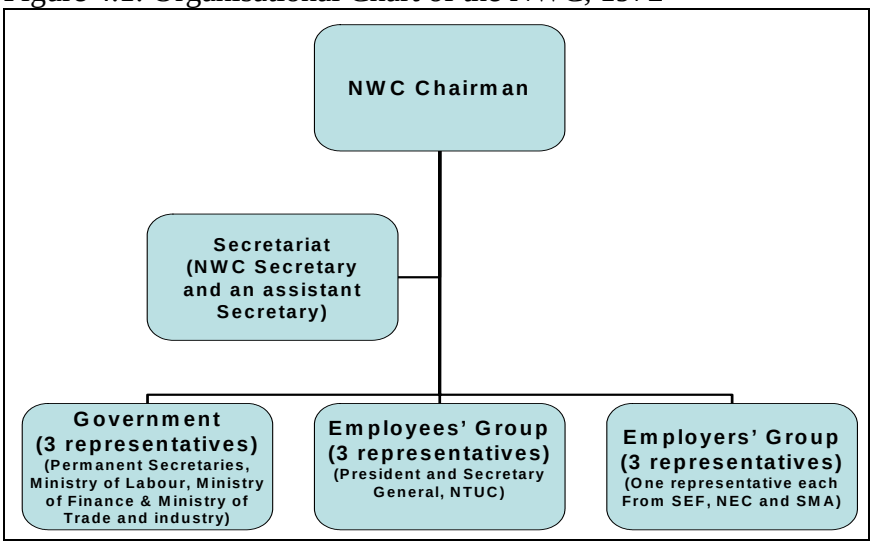
As regards the first point, the government required continued industrial and social stability for the economy. Having overcome threats to the new nation in the early years, the PAP needed to demonstrate stability and reliable wage-setting to encourage employment generation via FDI. In fact, the NWC's first chairman, Professor Lim Chong Yah, an economist from the University of Singapore, clearly stated that a primary objective of the NWC and its incomes policies was to be employment maximisation (Lim, 1984; v, 1998).

Confidence emerged from the shape of the new institution. The tripartite group consisted of equal representations from employers, employees and the government, with a neutral Chairman (see Figure 4.1). Supporting the Chairman was a small secretariat of two part-time secretaries whose full-time jobs were at the Ministry of Labour (MOL).

For the employers' group, all ethnic and foreign chambers of commerce were well-represented in the NWC, important because Singapore's employers were very heterogeneous. The various voices representing diverse groups of employers had to be considered recommending wage guidelines. In the initial years up to 1980, three employers' associations – the Singapore Employers' Federation, the National Employers' Council and the Singapore Manufacturers' Association – represented employers on the NWC. With these representatives, the NWC operations reflected the diversity of employer voices.

From its inception, the NWC met in the first half of the year to deliberate on position papers from the various tripartite representatives, and consider public views. In deciding wage guidelines, the NWC considered a wide range of both micro- and macro-economic indicators. While the primary purpose was promoting Singapore's wage competitiveness to attract FDI into selected strategic industries, the guidelines also gave expression to competing views in building a new national coordinating mechanism for wage setting. The guidelines are set annually, with recommendations applying from July to June of the following year (Lim and Chew, 1998).

Figure 4.1: Organisational Chart of the NWC, 1972



Source: adapted by author from Lim, 1984: 31 – 32.

Second, the underlying *modus operandi* of the NWC was centred on the principle of "pro-Singapore, pro-Singapore employers, the trade unions and the Government". The Council reached decisions on wage guidelines recommendations through consensus, rather than majority vote (Lim, 1984; Lim and Chew, 1998: 19; Oehlers, 1991). This practice sought to avoid coercion within the Council. Important results flowed from this approach. It minimised implementation problems since all parties agreed to recommendations prior to submission to the government for approval. In this, the NWC Chairman played a neutral role facilitating discussion among the three tripartite groups. The Chair's role was to "identify the areas where all the three parties share a common interest and have more or less a common view and are prepared to implement the recommendations once they are formulated and announced by NWC" (Lim and Chew,1998: 19).

Another important element of the NWC *modus operandi* was its 'confidential deliberations'. The respective parties prepared, submitted and defended position papers behind 'closed-doors', providing a forum for flexibility and frankness in making decisions, as noted by Lim and Chew (1998: 22),

> The Chatham House Principle applies in the deliberations of NWC, that is, no attribution principle. The adherence to this principle is to permit maximum freedom in deliberation. One can even joke very freely, without fear of being misquoted or quoted outside. Members are also free to change their position.

Chew and Chew (1995a: 147) also suggest that confidentiality deprived the NWC members of a "political forum" for promoting their own agenda, so that the "NWC cannot be abused" as a process.

The SNEF's Executive Director, Koh Juan Kiat confirmed that the 'closed-door' confidential deliberations have been retained over time (Interview: February, 2007). According to Koh,

> The way we conducted the meetings are in a closed door meeting. When we are out [of the meeting], we do not quote one another, we do not talk to the press. Now, why do we do this? Because it allows us to shift positions. We discuss at NWC, then we come back to SNEF and talk amongst ourselves, can we adopt this policy etc; then we go back to the other meeting and during the course of discussion, maybe we change our minds. In other words, we don't conduct our conciliation and negotiations in public. Everyone is entitled to their real views and through this process of real negotiations and discussions and we are going to draft a set of guidelines that not only I can implement, but companies outside NWC can implement. You can see that this is a very rigorous process of deliberations to reach a certain consensus (Interview: Koh, February 2007).

Cheng and Womack (1996) suggest that the Singaporean variant of corporatism, exhibits patterns of influencing similar to other Asian societies. Informal influence behind 'closed-doors', through a complex network of East Asian-style relationships – in Chinese known as *Guanxi* – may be more prominent than formal patterns of influence. As Koh put it,

> I think it is both [formal and informal patterns of influence]… the sense that, there are a lot of informal discussions outside NWC meetings. Maybe some different things they cannot resolve inside the meetings may be discussed when we meet at the golf courses … NWC is a formal gathering of all the different parties, but the discussions might not be limited within the four walls. The different parties within NWC continue to engage with each other outside the meetings (Interview: Koh, February, 2007).

For the SNEF President, Stephen Lee, the success of the NWC stems from the process – since its inception – of 'closed-door' confidential deliberations, stability and continuity of representatives within the Council, But, notably, a process without abuse, as noted, and subject to government oversight. Thus Lee states,

> Other countries have tried a NWC. But Singapore's NWC is not really about the composition. It is really in the *process and how the key members can work with each other.* So it is much more than just the structure. But we *never let that process became too dominant* (Interview: Lee, February 2007, emphasis added).

The final major element of the NWC's *modus operandi* concerned its structure of non-mandatory wage guidelines (Lim, 1984; Oehlers, 1991). The guidelines did not, in themselves, have the force of law. Lim and Chew (1998) provide several reasons to explain this: the NWC wished to distance itself from the stigma associated with the British colonial Wages Council, especially mandatory recommendations for sweated industries. It also attempted to dispel criticisms that the NWC would become "too rigid a system", had its recommendations been mandatory (Lim and Chew, 1998: 24); and finally the NWC needed to uphold the "basic principle of employers and unions having a free hand to arrive at their own collective agreements" (Lim and Chew, 1998: 25). As the SNEF President Lee stated,

> There were many cases during negotiations where we may not have agreed with the unions, especially during the early 1960s. But since the establishment of NWC, much of the wage increases are based on NWC guidelines, which were decided at the national level. And because we have built flexibility into the system, a lot of negotiations are able to apply the guidelines (Interview: Lee, February, 2007).

In sum, from its establishment in 1972, the NWC was able to establish itself quickly as a vital and stabilising corporatist institution for several reasons. As a representative tripartite body, it formulated its wage guidelines by consensus and, crucially, with outcomes acceptable to the PAP government. Acceptance was also based on implementation by the government, itself a major employer in Singapore. Such government endorsement promoted the general acceptability of the NWC wage guidelines for both unionised and non-unionised firms in the private sector. As the NWC was established when general wage levels were low, it was in a position to oversee orderly wage increases over time, while at the same time successfully establishing itself as the wage guidelines authority. Moreover, the NWC as an institution was consistent with conventional international wisdom in the 1970s when incomes policies were 'popular' in Australia and Europe (Holden et al., 1987). For

example, the ‘social contract’ formulated between the UK Labour government and the Trades Union Congress, for some years provided legitimacy for controlling wage increases and an effective means to regulate the labour market (Kessler and Bayliss, 1998; Tarling and Wilkinson, 1977). Finally, there was the stability in the composition of the NWC’s representatives. This, in turn, provided stability and continuity for Singapore’s corporatist framework. For example, Professor Lim Chong Yah served as the NWC Chairman for its first sixteen years, until his retirement in 1988.

The NWC, therefore, signified a major milestone towards institutionalising corporatism in Singapore. As one experienced industrial relations practitioner, explained, “[the] NWC is the beginning of the institutionalisation of tripartism in Singapore” (Interview: Chia, December 2006). At the same time, it was also an important institution that enabled the ruling PAP to pursue an incomes policy which focused on employment-maximisation. The next section explores the development of Singapore’s incomes policy from 1972 to 1979.

4.3 National Incomes Policy, 1972-1979

Incomes policy, in economic theory, is a system of wage and price controls commonly institutionalised to counteract inflation by means of voluntary wage guidelines, or a mandatory wages and prices freeze or a combination of both (Lewis et al., 2003). Fundamentally, governments adopt incomes policies to centrally coordinate, order, and control pricing in the labour market, especially during periods of full employment, to avert cost-push inflation (Anantaraman, 1990; Chew and Chew, 1995a). The Singapore case was no exception. From its inception, however, Singapore’s variant of incomes policy was intended to contribute to the PAP’s employment-maximisation policies in the wake of the employment gap created by Britain’s withdrawal of defence spending. According to Chew and Chew (1995a: 29), Singapore’s incomes policy

created a “form of bargained corporatism” where the central challenge was for the main representative industrial relations practitioners to work harmoniously to set wages “at levels which maximise employment”.

The formation of the NWC in 1972 clearly affected the role of the IAC. Krislov and Leggett (1985: 20, 21) found that the workload of the IAC, in terms of the “number and types of disputes”, considerably reduced as “wage negotiations shifted away” from the IAC to the NWC. This change, in turn, helped establish a new role for the IAC in promoting the PAP’s incomes policy. According to Chew and Chew (1995a: 119), it did this in its early years by adopting one or a combination of three different approaches: “pro-ruling party”, “pro-union”; and “incomes policy”. In the “pro-ruling party” approach, the IAC sought to further rule the PAP interests directly by disadvantaging pro-communist labour unions through its Court rulings. When it adopted the “pro-union” approach, it would rule in favour of the PAP-backed NTUC to encourage more workers to join NTUC. Finally, the “incomes policy” approach saw the IAC seek to align its rulings to complement government macro-economic policies in favour of employment creation. For Chew and Chew (1995a: 119), in the latter approach, the Court embraced “company competitiveness as the sole criterion in settling industrial disputes in order to promote employment”. As it began to gain prominence, the synergy that these two core corporatist institutions developed provided credibility for Singapore’s corporatist industrial relations framework. However, it is important to note that this should not be construed as in conflict with earlier discussion regarding ‘independent IAC rulings’.

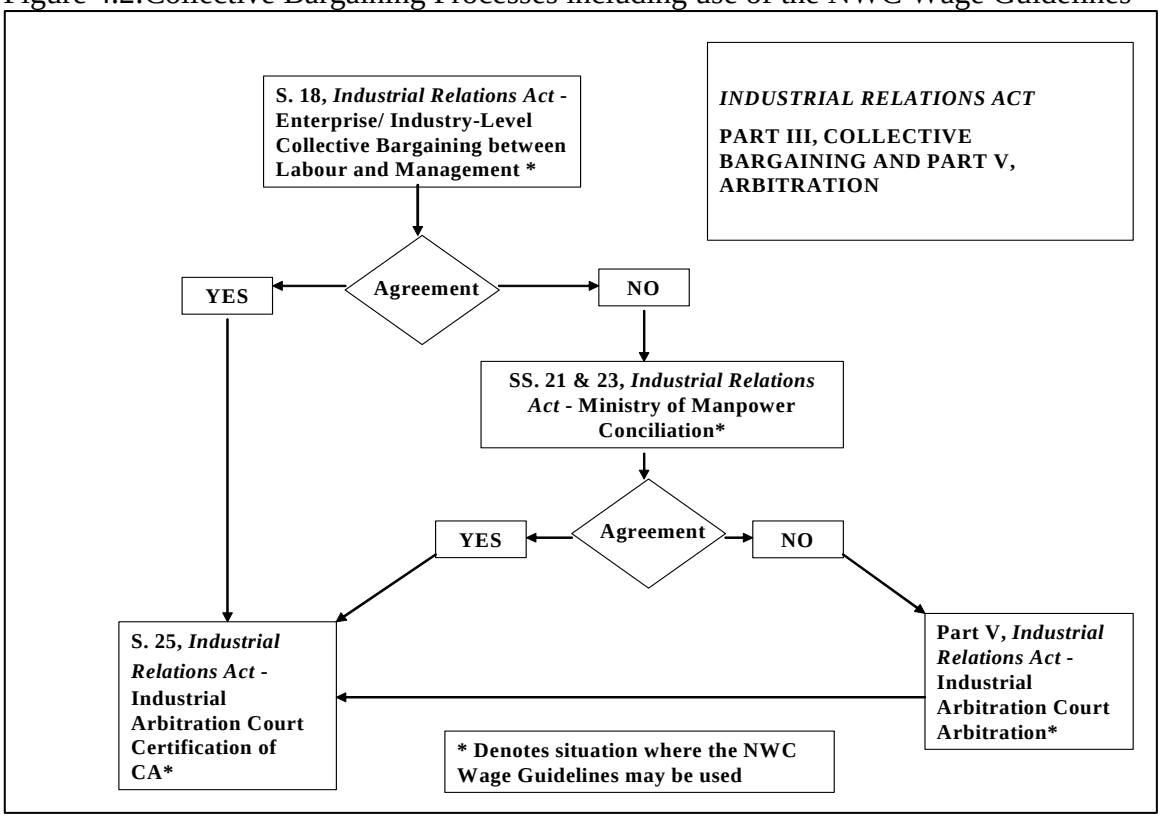
While the NWC set general wage guidelines at the national-level, labour unions and employers continued wage negotiations largely at the enterprise-level. Thus, a two-level system of collective bargaining effectively developed in Singapore. While the

Singaporean system was similar to those of many Western European countries, Australia and even Japan (Bean, 1994), comparatively, the collective bargaining criteria and mechanisms at each level and the structural and process relationships between each level varied. For the new Singaporean system, collective bargaining first took place at the national level within NWC centred on the framework or *parameters* of wage settlements. Subsequently, collective bargaining took place at the enterprise level or, as in a few instances, at the industry-level that determined *substantive outcomes*. At the enterprise level, the individual labour union and employer negotiated directly with each other. At the industry level, the industrial labour union – illustrated by the Singapore Insurance Employee Union (SIEU) – negotiated with individual insurance companies and also with a collective group of insurance companies (Interview: Lee, January 2007). It was at the enterprise/industry level that flexibility within NWC's wage guidelines applied. In the event of bargaining deadlocks, the labour union, employer or both were able to seek arbitration, first to the Ministry of Labour, and, where necessary, escalating the dispute to the IAC. In short, the system encompassed both procedural and substantive components to manage outcomes consistent with market conditions, and crucially, the PAP policy.

Figure 4.2 outlines a framework of collective bargaining processes. Here, the focus on the process of collective bargaining for wages only, is to illustrate the significance of the NWC wage guidelines within Singapore's corporatist framework. In these institutional arrangements, it is clear the PAP designed the processes to make legal industrial action difficult, for both labour unions and employers, thus ensuring Singapore's industrial peace. As well, when any party took matters to arbitration, they encountered the same NWC wage guidelines, as the IAC adopted the latter. Not surprisingly, enterprise and industry-level collective bargaining also normally adhered

to the NWC's guide-range. Thus, while the guidelines were 'non-mandatory', in the Singaporean context it appears that they would have had more influence than in other countries. As well in doing so, the NWC faced a number of challenges in legitimation, acceptance and contingency.

Figure 4.2:Collective Bargaining Processes including use of the NWC Wage Guidelines



Source: adapted by author from Lim and Chew, 1998: 79.

In developing and implementing wage guidelines, the NWC faced a number of challenges. Table 4.1 outlines the NWC's annual wage guideline decisions between 1972 and 1979, with contextual data on gross average annual earnings growth rate (percentage and dollar value), Singapore's GDP growth, and key factors in the external environment. Additionally, vital information, such as Singapore's tight labour market and relatively low base wages during this period, provides further important insights into the NWC's approach and its effects. Several observations may be made.

The NWC's wage guidelines from 1972 to 1979 were quantitative. With no prior central wage coordination mechanism, an urgent task was to establish acceptance and

legitimacy. Accordingly, a major challenge was to derive a quantitative figure acceptable to all parts of the economy, particularly for employers, as the local firms had complicated and often varying remuneration practices. According to Anantaraman (1990: 175) while allowing for a 'phasing-in' period, the NWC had to quickly develop measures against "built in annual increments provided for in wage and salary scales" because "employees in many instances were receiving two wage increases, one arising from built-in annual wage increments and the other from the yearly wage increase recommendations of the council". In short, the NWC introduced, experimented and fine-tuned its key 'offsetting' principle in this period.

Initially, the 'offsetting' guidelines lacked clarity and conceptual understanding. Employers' associations, such as the SEF, were frustrated by the fact that "only partial offsetting was allowed" and recommended an urgent "reassessment" of the principle (SEF, 1974: 10). Subsequently, the NWC, in finetuning the offsetting principle, was able to avoid unintended simultaneous double wage increments in collective agreements (CAs) and the NWC's recommendations. In addition, to ensure low income workers received substantial minimum wage increases, the NWC wage guidelines encompassed either a "minimum percentage increase in wages" or "prescription of a fixed dollar amount" (Anantaraman, 1990: 176). Interestingly, in fine-tuning the 'offsetting' principle and addressing wages for lower-income groups, the scope of the NWC's wage recommendation also supported the PAP's macro-economic plans. Thus, for example, the NWC framed its 1978 wage guidelines to take into consideration "the need to increase the supply of workers in the manufacturing sector" (SEF, 1978:12).

Table 4.1: The NWC's Wage Guidelines, 1972-1979 and selected measures

NWC Year	NWC Wage Guidelines	*Gross Average Annual Earnings change		Singapore GDP Growth (%)	External Environment
		S$	(%)		
1972	Interim i: Option I: 13th month payment + Bonus Interim ii: Option II: 13th month payment + Annual Wage Adjustments 6% (without offset of annual increments)	368	n.a.	13.4	The success of Singapore's First Industrial Revolution resulted in acute labour shortages
1973	9% (with varying rates of offsetting depending on salary)	412	12.1	11.2	Global Oil Shock (from October 1973 to March 1974)
1974	Interim i: Flat rate increase of $25 (not subjected to CPF contribution) Interim ii: $40 + 6% (inclusive of the $25 interim wage supplement, without off-set of annual increments)	488	18.2	6.1	
1975	6% (full offset of annual increments provided that employees on incremental scales received a minimum increase of 3% after offsetting; employees at the maximum of their pay scales to receive wage increases of 3%)	555	13.8	4.1	
1976	7% (full offset of all forms of increases in remuneration on group basis)	581	4.7	7.1	
1977	6% (full offset of all forms of increases in remuneration on group basis) No NWC increment for workers with less than 12 months service	623	7.2	7.8	
1978	$12 + 6% (full off-set of all forms of increases in remuneration on group basis)	662	6.3	8.5	
1979	$32 + 7% (full offset of all forms of increases in remuneration on group basis)	735	11.1	9.4	The Beginning of Singapore's Second Industrial Revolution

* Gross Average Monthly Earnings includes basic wage, plus both employees' and employers' Central Provident Fund superannuation contributions

Source: adapted by author from Lim and Chew, 1998: 231.

Inevitably, some decisions met with mixed acceptance. Consistent with the NWC objectives, wage recommendations incorporated measures to promote operational efficiency and productivity by excluding workers with poor work performance or what

was considered to be bad work ethics from the NWC wage increases. This had partial success (Anantaraman, 1990; Chew and Chew, 1995a; Lim and Chew, 1998; SEF, 1977; 1978). The problem of employee job-hopping in this period is illustrative. Employers considered it indicative of poor individual work ethic in itself, and collectively it threatened national productivity (SEF, 1977:12; 1978: 13). Thus, the 1977 recommendations saw workers with fewer than 12 months' service, excluded from the NWC increment. According to Anantaraman (1990: 176), while clearly aimed at discouraging rampant job-hopping, "in the context of a tight labour market … these recommendations … were not widely adopted".

Added to this, the NWC faced significant challenges from contingent crises. The actions of the Organisation of the Petroleum Exporting Countries (OPEC) created the first global oil shock in October 1973, which followed soon after the collapse of the Bretton Woods international economic and financial arrangements. The resulting economic recession was contemporaneous with high inflation (stagflation) in numerous countries. The NWC response encompassed a call for coordinated moderate wage increase to avert cost-push spiral inflation. In contrast to other countries, the Council's actions were successful in regard to labour outcomes.

In summary, the establishment of the NWC in 1972 indicated timely foresight on the part of the PAP. The Council came into existence just in time to establish an incomes policy framework before the impact of the global oil crisis could transfer cost-push inflation into Singapore. Singapore already had a rapidly expanding economy with full employment and a tight labour market, due to a successful first industrial revolution policy through FDI. The NWC recommendations and strong FDI growth forestalled policy fears regarding workers demands for large wage increases which would discourage job-creating FDI. Between 1972 and 1979, the NWC could continue

recommending moderate wage increases without causing heavy investment outflow (Anantaraman, 1990; Chew and Chew, 1995a; Chua, 1995: 69).

4.4 Singapore's Second Industrial Revolution

By the end of the 1970s, Singapore's economic context was significantly altered. Firstly, the oil crisis precipitated global economic slow-down. Secondly, East Asia's other newly industrialised economies (NIEs), and China's opening of its economy were all generating low-cost competition to industries in Singapore. In responding, the PAP leadership foresaw the need to break Singapore's reliance on labour-intensive industries and low-cost foreign labour. The policy emphasis shifted to higher workforce skill levels, to attract more capital-intensive industries. The PAP's policy of low-wage labour and low-technology industrialisation underpinned by the NWC's moderate wage-increase incomes policy became redundant for efforts to attract more sophisticated FDI (Chng et al., 1988; Rodan, 1989). In a seminal speech in November 1979 at the NTUC's *Seminar on Progress into the 80's,* Prime Minister Lee Kuan Yew clearly signalled the PAP's strategic intent, and peak bodies' role. Under the PAP's new vision, Singapore's workforce was encouraged to upgrade its skills, employers were encouraged to reinvent the nature of their businesses, and the public sector was encouraged to continue its policy aimed at attracting FDI into strategic, high value-added industries (NTUC, 1980; Pang, 1982). The Productivity Standards Board's (PSB) CEO, Lee Suan Hiang, cogently summed up the new trajectory: where the NWC's high wage policy was "aimed at encouraging more efficient use of scarce labour through mechanisation and automation". The latter was part of the PAP's restructuring plan for the Singaporean economy "to higher value-added and more capital-intensive activities" (Lim and Chew, 1998: 115).

Thus began Singapore's second industrial revolution in 1979. Like the PAP-orchestrated first industrial revolution, it required the simultaneous implementation of multiple strategies. First, the *Skills Development Levy (SDL) Act* established the Skills Development Fund (SDF) in October 1979, overseen by a tripartite SDF Advisory Committee (Tan, 2004). The SDF's primary objective centred on encouraging employers to invest in skills upgrading of current and retrenched employees. The scheme was based on two basic principles: cost-sharing; and relevance of any training to Singapore's economic development. While the PAP government contributed most of the SDF from its yearly budget, the *SDL Act (Cap. 306)* required employers to make levy contributions to the Fund as a "mandatory percentage of their total wage bill" Chew and Chew (1995a: 221). This sought to encourage employers to recover the 'economic tax' by having their workers receive highly subsidised training, administrated by the NPB and other accredited training agencies. As well, the PAP's plan clearly needed wide-spread grassroots support, particularly the trade unions.

In the 1970s, the PAP actively consolidated its strategically important relationship with the NTUC through a policy of 'cross-fertilisation': that is, the appointment of the PAP technocrats into the NTUC leadership positions (NTUC, 1980). This enabled the PAP to quickly transplant desired expertise into labour unions, but its closeness to the NTUC could also mobilise workers' support for the impending second industrial revolution. Yet, as Barr (2002: 484) notes, this PAP's policy also placed too much power "in the hands of a few trusted people who had risen through the union ranks". Barr's point applies particularly to the NTUC's ex-President, Phey Yew Kok, a noted power broker among ethnic Chinese trade unionists in the 1970s. Phey created two large industrial unions during his meteoric rise to power in the labour movement: the Singapore Industrial Labour Organisation (SILO) and the Pioneer Industries

Employees' Union (PIEU). In this context, his fall from grace was just as dramatic, and instructive. Charged with corruption, Phey fled Singapore in 1979 (Seah, 1981). Discussion of the implications of this incident appears in the next chapter.

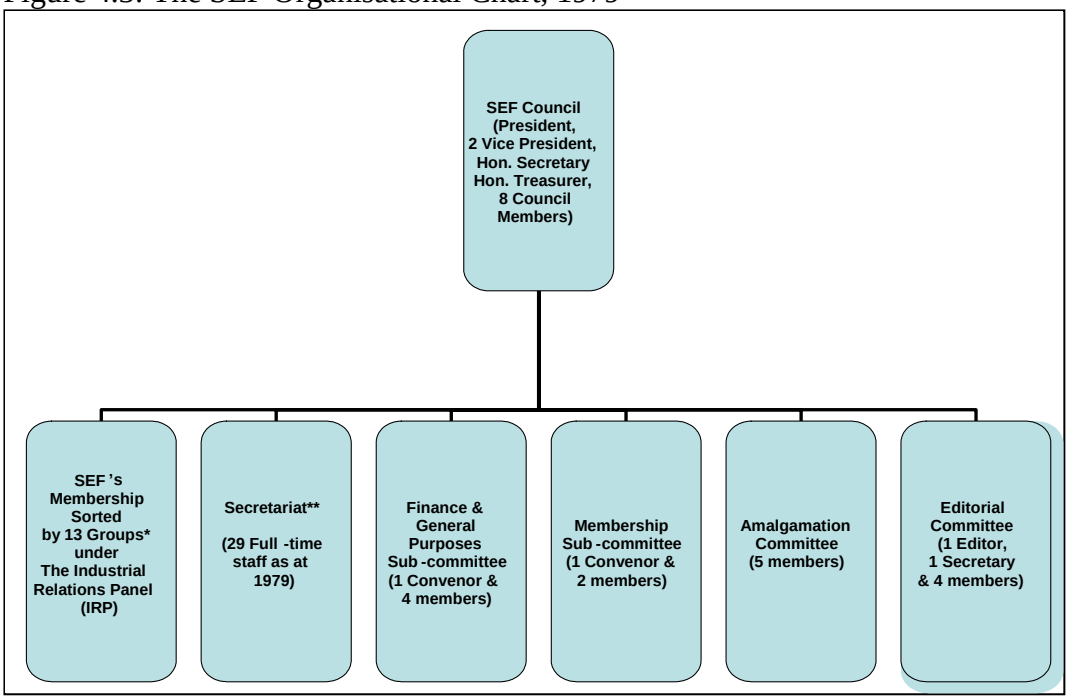
The NWC also played a crucial role in supporting the economic policy shift by making wage recommendations that were adroitly balanced. That is, wages were sufficiently high to help achieve the targets of the second industrial revolution but not high enough to threaten Singapore's wage competitiveness. This was a very demanding policy role and set of objectives. Not surprisingly, it met with resistance from employers and their associations. By then, however, it was clear that a fundamental shift in the SEF's role and purpose as an employers' association was emerging. Before looking at this, the next section examines the internal dynamics of the SEF during this period.

4.5 The SEF Internal Dynamics, 1972-1979

(a) Organisational Structure

For its part, during this period, the SEF Council continued to operate as a policy-making body with no changes to the roles of the SEF's Financial and Membership Sub-committees (outline in Figure 4.3). Added to this (on 28th January 1980), was an Amalgamation Committee consisting of the SEF President and four key council members formed in response to the Minister for Labour, Ong Pang Boon's suggested merger of the SEF and the NEC. It clearly demonstrated that the SEF's position changed in regard to the PAP policy. A new, leading national employers' association would dawn with the new decade.

Figure 4.3: The SEF Organisational Chart, 1979



Source: adapted by author from SEF *Annual Report*, 1979: 3-5.

(b) Membership

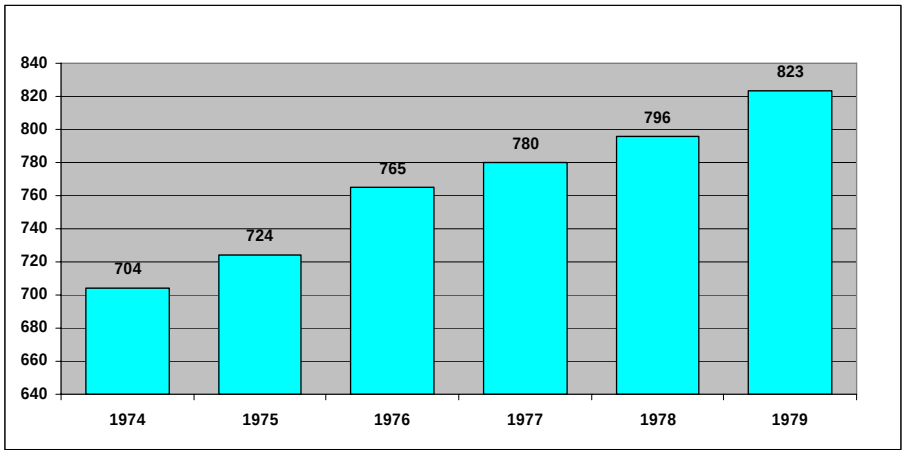
As a leading national association, the SEF continued to accept membership from employers regardless of trade, occupation, industry, sector, locality or size of firm. Its membership also reflected Singapore's more general industrial composition, and the continuing dominance of manufacturing and the trading sector in Singapore's economic development (see Table 4.2). During this period, the SEF membership continued to increase consistently, despite high membership dues and the absence of acrimonious labour-management relations. Figure 4.4 depicts this trend between 1974 and 1979. Over its history, the SEF's membership growth was impressive – a 35-fold increase between 1948 and 1979 from 23 to 823 employers, including 17% over the period reported here.

Table 4.2: The SEF Membership Composition (percentage), 1975-1979

Membership Composition (%)	1975	1976	1977	1978	1979	Average
Airline, Oil & Motor Vehicle	5.4	6.0	6.0	6.0	8.0	6.3
Banking & Insurance	10.7	11.0	10.0	10.0	13.0	10.9
Hotel Catering & Entertainment	10.9	11.0	10.0	10.0	7.0	9.8
Shipping & Transport	8.8	9.0	9.0	9.0	8.0	8.8
Business Houses	30.2	29.0	27.0	28.0	25.0	27.8
Industrials	34.0	34.0	33.0	32.0	34.0	33.4
Ungrouped	0.0	0.0	5.0	5.0	5.0	3.0

Source: compiled by author from SEF *Annual Reports,* Various Years.

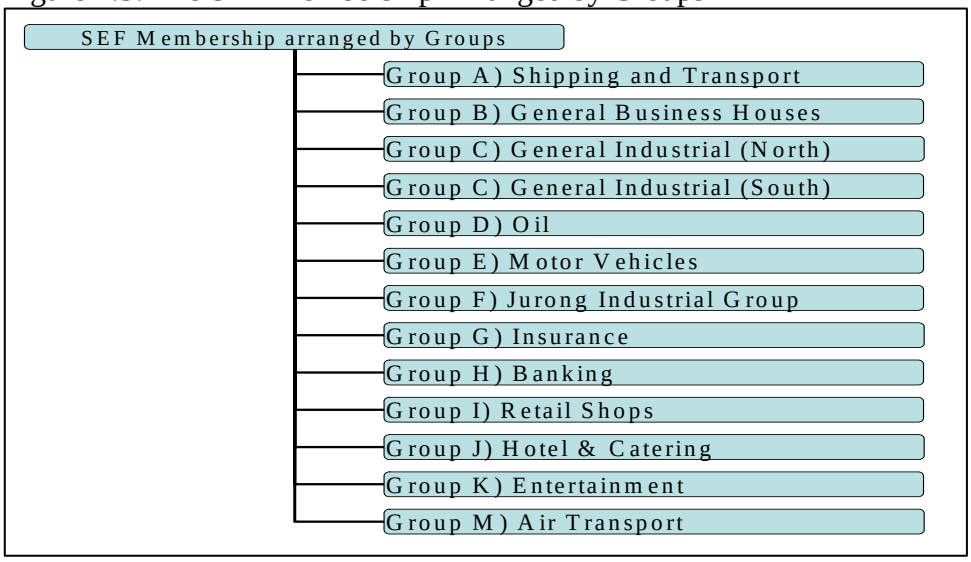
Figure 4.4: The SEF Membership, Number of Companies, 1974-1979



Source: compiled by author from SEF *Annual Reports*, Various Years.

The SEF organised this membership into various industrial groupings (see Figure 4.5) that represented major business interests in Singapore, as well as seeking to incorporate emerging trends in Singapore's industrial composition. For example, the growing Jurong Industrial Group took the place of the defunct rubber industry as the SEF's Industrial Group F (see Figure 4.5; also Chapter Three, Figure 3.3). Each grouping operated under the purview of the SEF's Industrial Relations Panel (IRP), meeting on a regular basis to discuss industry-related issues and provide feedback to the SEF Council. In this, the IRP was a continuing and essential part of the SEF's internal consensus-seeking. The latter was crucial for ensuring the SEF's "governability", and consolidating the SEF's external role in Singapore's corporatist framework.

Figure 4.5: The SEF Membership Arranged by Groups



Source: adapted by author from SEF *Annual Report*, 1979: 5.

Not surprisingly key SEF Council members came from the manufacturing and trading sectors. For example, Jack Chia, SEF's President from 1975 to 1980, was the Chairman and CEO of Jack-Chia MPH Ltd; a domestic business publishing house. The SEF's high-profile membership composition brought key benefits to the SEF. It developed networks and prestige and brought it more 'soft' power, more resources in terms of membership dues, and greater management expertise. The SEF leadership is considered below.

An expanding membership, including important FIEs, provided a rising flow of revenues. Table 4.3[1] indicates that the SEF remained dependent on membership subscriptions for, on average, 90 percent of its revenue. Indeed, other sources remained negligible, with 'sundry sources' (mainly selective services and limited elective goods) contributing only eight percent, declining 15.6 percent over the five years. Thus membership grew 17 percent (Figure 4.4), but dues rose 65 percent, resulting in a much higher burden on members.

[1] The author compiled this data from the limited collection of SEF *Annual Reports* available in various Singaporean libraries, including the National University of Singapore's extensive *Singapore-Malaysian Collection*.

Table 4.3: The SEF Income Composition, 1975-1979 (S$)

The SEF's Sources of Income	1975	1976	1977	1978	1979	% change	Average Contribution	%
Subscriptions	$440,934	$441,468	$654,454	$705,888	$730,345	65.6	$594,617	90.0
Income from quoted investment	$1,257	$1,141	$980	$484	$ -	n.a.	$772	0.1
Interest on fixed deposit	$11,909	$7,547	$7,122	$14,069	$19,539	64.1	$12,037	1.0
Sundry income	$56,071	$56,759	$51,039	$53,325	$47,305	-15.6	$52,899	8.0
Profit on redemption of government securities	$ -	$ -	$100	$125	$ -	n.a.	$45	0.0
	$512,146	$508,891	$715,672	$775,869	$799,168		$660,372	100%

Source: compiled by author from SEF *Annual Reports*, Various Years.

(c) Leadership and Decision-Making

Singapore's industrial base had grown remarkably since 1948 and the SEF's rising membership indicates effective leadership in numbers, albeit at a cost. However, employers clearly saw advantages in the SEF membership. There were two main contributory factors in this regard.

The first is stability in key SEF's leadership positions. Illustrative is the SEF's President Jack Chia, who had served as its President since 1975 (SEF, 1978). Chia, along with prominent SEF's office holders (particularly, Alan Yeo, JDH Neill, Boon Yoon Chiang, and CWG Endacott) had formed the primary SEF leadership group (see Table 4.4). United by a common position as the SEF's Council members, and purpose in defending the collective interests of its members, these leaders were also protecting their own business interests. The earlier focus on dealing with labour union demands, and a new interventionist government, gave way to its new role in Singapore's emerging corporatist framework, now in a context of no industrial unrest. This meant, among other things, working closely with the NTUC and the government, to promote Singapore's economy in a more competitive environment. As well, as the SEF was emerging as the leading national employers' association, more established companies in

key industries took the lead in the SEF's Council. Examples included MNCs such as Hong Kong's Jardine Matheson; UK's Chartered Bank; US's Esso, Italy's BBC Brown Boveri, as well as prominent local SMEs such as MPH, F&N, Yeo Hiap Seng, Cycle & Carriage Ltd (see Table 4.4).

The second factor that demonstrated capable leadership within the SEF was its ability to expand its offerings of value-added membership services. Discussion of this feature of the SEF's operations appears in the next section.

Table 4.4: The SEF Council, 1977-1979

S/No	Position	1977	1978	1979
1	President	**Jack Chia**, MPH Ltd		
2	Vice President	Alan Yeo, Yeo Hiap Seng Ltd		
3	Vice President	G G Janes, The Chartered Bank		**J D H Neill**, F&N(S) Pte Ltd
4	Hon. Secretary	**Boon Yoon Chiang**, Jardine Matheson Holdings (S) Ltd		
5	Hon. Treasurer	Jack Wexler, Esso Singapore Pte Ltd		**C W G Endacott**, The Chartered Bank
6	Councillors	Lim Hong Keat, Metal Box Singapore Ltd		
7	Councillors	Chua Boon Unn, Cycle & Carriage Ltd		
8	Councillors	Tay Kwang Seng, Hume Industries (S) Ltd		
9	Councillors	B M Lap, Phillips Singapore		-
10	Councillors	M V Quie, Cold Storage Group of Companies		V S Dalgaard, Cold Storage Group of Companies
11	Councillors	**J D H Neill**, F&N(S) Pte Ltd		H F Busch, BBC Brown Boveri (S) Pte Ltd
12	Councillors	S K Bahattacharya, Times Publishing Bhd		Terence E Young, Esso Singapore Pte Ltd
13	Councillors	E G Waller, Inchcape Bhd Group of Companies		D R Davies, Inchcape Bhd
14	Councillors	E H Walker, United Engineers Ltd	Sir Anthony W B Hayward, Guthrie Berhad	

Source: compiled by author from SEF *Annual Reports*, Various Years, and Singaporean library sources.

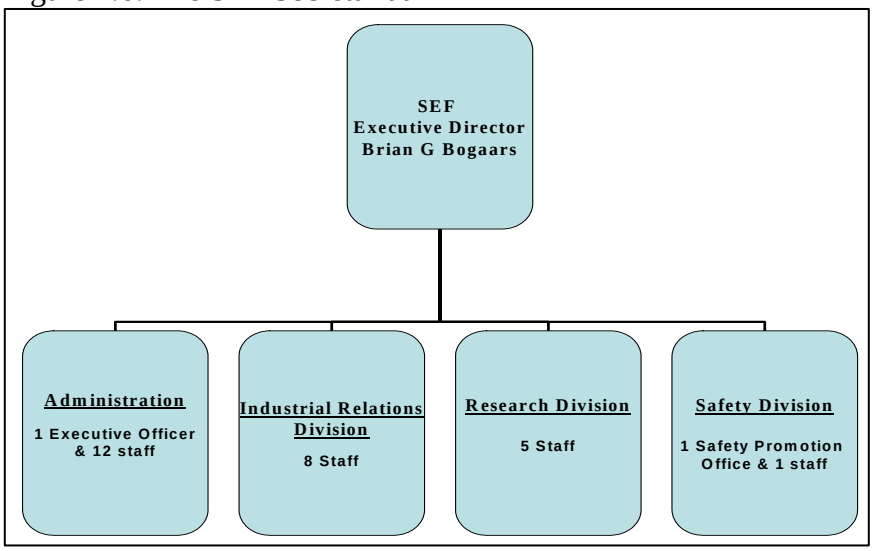
4.6 The SEF External Roles, 1972-1979

Under effective and stable leadership in the 1970s, the SEF continued to position itself as Singapore's leading national employers' association. With its enhanced representative role, the SEF opened new areas of external activities, in its provision of collective goods. From these developments the SEF emerged in a strategically useful

position for the PAP government. Its activities in providing feedback and employers' responses towards proposed changes in government policies and legislation were useful for government *and* members. The SEF also expanded its representative role on key government statutory boards and committees, including the IAC, the NWC, the NPB, the CPF, the National Industrial Relations Committee, the Check-off Review Board, the Science Council of Singapore, the SDF Advisory Committee and the Vocational & Industrial Training Board. These added valuable forums of contact and information for member firms.

Figure 4.6 depicts a better-organised the SEF Secretariat with considerably more resources than in previous decades. In 1965, the secretariat had consisted of only five full-time staff, growing to 29 in 1979. It covered: Administration, Industrial Relations Division, Research Division and Safety Division. With more resources at its disposal, the SEF Secretariat gained the capacity to provide services beyond its main function of administrative support for the SEF Council and its various committees. Apart from its previous practices of representing members before the IAC, providing assistance and advice on collective bargaining, and other HR and industrial relations issues, The SEF's Secretariat continued to expand both its selective and its very limited elective goods.

Figure 4.6: The SEF Secretariat



Source: Adapted by the Author from SEF *Annual Report*, 1979: 6.

Notably, in establishing a Research Division, under the purview of its Secretariat, the SEF took the initiative to conduct surveys on a range of labour-related issues, including employers' views of the impact of new government policies on their businesses for its government linkages. This, together with *ad hoc* training courses, effectively became the SEF's new elective service over this period. Staff from its Research Division took the initiative, reaching out to members with regular briefings, as well as seeking their feedback.

It was clear that the SEF's leadership was well aware that the absence of industrial unrest diminished a central element of its collective roles. It recognised the pressing need to expand its selective goods to handle "associability" and "governability" challenges. The IR Division staff serviced a high volume of "advice by phone" activities, during this period (SEF, 1978: 17). In a strategically astute move, the SEF also established a one-stop information centre on HR and other labour-related matters. At this time, the emergence of HRM was in its infancy relative to personnel management, so the SEF effectively created a niche in this area. In addition, the Secretariat continued to add new selective goods including a library service and, from 1978, a quarterly bulletin: *The Singapore Employer*. The latter was distributed free of charge "to keep members better informed in matters pertaining to labour and management issues" (SEF, 1978: 9), and to keep it in the minds of members.

With the establishment of its Safety Division, the SEF members could now seek advice on occupational health and safety issues. Activities conducted by the SEF's Safety Division included helping members establish a safe working environment at their workplace and running training courses on safety-related subjects.

4.7 The Dynamics and Interactions of the SEF Internal and External Roles

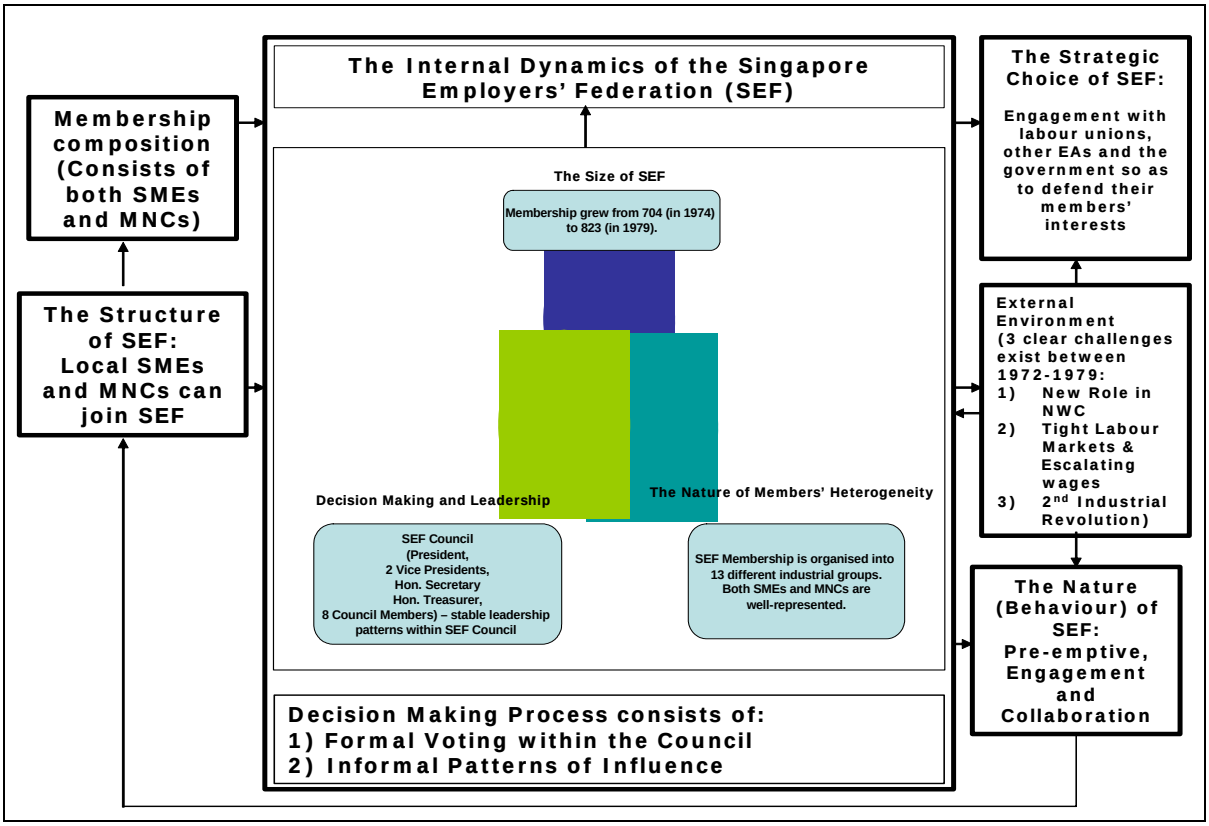
As depicted in Figure 4.7, a combination of three key factors affected the SEF's internal dynamics. These were: the size of the SEF, the nature of its membership's heterogeneity and the decisions made by its leadership. As the leading national association in Singapore, the SEF had a relatively large and diversified membership base. According to the literature on employers' associations, these two factors might be expected to amplify conflicts within the organisation (Olson, 1965; Pfeffer and Salancik, 1978; Schmitter and Streeck, 1999; Sheldon and Thornthwaite, 1999; Traxler, 1993, 2000). In this case, the third factor – stable and effective leadership – made a vital contribution to maintaining the SEF's stable and consensual internal dynamics.

Over time, the SEF's leadership clearly demonstrated a primary focus on defending the collective interests of its members rather than engaging in internal power struggles. Despite overall stability in its external environment during this period, it still faced clear challenges. First, given the acrimonious labour-management relations of previous decades, the SEF was initially sceptical of its new role in the NWC. Nonetheless, its leadership quickly realised the importance of this role in negotiating and lobbying for moderate wage increases within the NWC's incomes policy. Second, the success of the PAP's first industrial revolution resulted in a tight labour market and, consequently, escalating wage costs and erosion of competitiveness. This made the SEF's role within the NWC more difficult. Third, as the following section explores, the PAP's second industrial revolution in 1979 dramatically changed the SEF's role within the NWC, encouraging fundamental shifts in the SEF's strategy.

In summary, the character of the SEF was pre-emptive, engaged, and collaborative. Figure 4.7 shows the outcomes of the period covered here (see boxes in right column). The nature of the SEF centred on a forward-looking approach, of an

organisation with effective and stable leadership. It was oriented to taking the initiative on key issues. This was most consistently evident in the SEF's strategic choices to engage and work closely with the other corporatist partners in dealing with challenges that developed from the second industrial revolution. The next section will explore this further.

Figure 4.7: The Dynamics and Interactions of the SEF Internal and External Roles, 1972-1979



Source: author analysis.

4.8 The SEF Strategic Response

(a) The SEF Strategic Response to the NWC and Incomes Policies

From the perspectives of employers' associations, the establishment of the NWC as Singapore's first central wage coordination authority was a significant and celebrated event. With demanding labour unions and poor labour-management relations of the 1960s still in fresh memories, the SEF recognised the potential of its role within the NWC in the coordination of orderly wage increases and curbing of labour unions'

excessive demands. The NWC and its incomes policy development became a primary focus of the SEF, and one of the central collective goods it offered to its members during this period.

During the 1973 global oil crisis and tight local labour markets in the 1970s, the SEF supported moderate wage increases, as did the other two employers' associations on the NWC. For example, the SEF developed the practice of advocating moderate wage increases to "dispel expectations of any high [wage] recommendations" (SEF, 1975: 11). While many employers' associations across the world routinely advocate no wage increases in deference to their constituents (see Sheldon and Thornthwaite 1999, re Australian Chamber of Commerce and Industry), Singapore's major employers' associations displayed greater policy realism. This indicated a strength of the tripartite institutions and consensus principle which characterised Singapore's corporatist model from its early days in the 1970s.

Between 1972 and 1979, the SEF also actively pursued a number of policy issues as the NWC developed and fine-tuned its incomes policy. The first issue concerned the principle of offsetting – particularly its interpretation and implementation. Furthermore, the SEF sought to curb traditional and cumbersome practices, such as unions asking for different fringe benefits not directly related to workers' jobs. Instead, the SEF widely advocated using the *Employment Act* terms and conditions as a guide to setting these benefits (SEF, 1976).

The SEF (1978:12) also worked closely with other key industrial relations institutional practitioners to incorporate, within the NWC wage guidelines, various 'merit and demerit schemes' that emphasised that individual employee remuneration should also reflect their contribution to increased productivity. As the SEF (1977: 12) explained,

> The demerit scheme will enable employers to penalise workers for poor job performance i.e. absenteeism, unpunctuality, flouting of safety rules and unsatisfactory general performance and conduct. On the other hand, the merit scheme was intended to reward deserving employees for their contribution to enhance productivity.

This policy campaign bore fruit so that, by the end of the period, merit awards and demerit penalties were cumulative, and endorsed within the wage guidelines (SEF, 1978: 12). Effectively, this meant that productivity and performance – or a lack of it – of a worker would be taken into consideration in his/her wage payments. Finally, the SEF also played an active role in dealing with the job-hopping problem during this period.

In 1979, the incomes policy in Singapore took a new turn when the PAP announced its intention to embark on a second industrial revolution. The following section discusses employers' attitudes and responses to this critical event. In particular, it focuses on how it changed SEF's role within the NWC.

(b) The SEF Response to Singapore's Second Industrial Revolution

In retrospect, it is easy to understand why employers and their associations initially resisted the PAP's high wage policy. From 1972, the NWC had become an important platform for promoting corporatist collaboration via closed-door, consensus-seeking processes. However, the latter were subordinate to the PAP macro-assessments and policy. Moreover, the speed at which domestic structural problems emerged, coupled with the rapid deterioration of national competitiveness in the late 1970s, left the PAP little time to seek consensus from its corporatist partners. Thus, in what was becoming its usual authoritarian and paternalistic style, the PAP sought to press ahead with a second industrial revolution irrespective of its 'partners'.

In the lengthy, albeit diplomatic, discourse in the SEF's 1979/1980 *Annual Report*, it was clear that the SEF, and employers generally, were uncomfortable with the

PAP's policy – especially the sudden move for a substantial across-the-board increase in wage costs in an attempt to force a move to a 'high-tech' economy. As Chew and Chew (1995a:97) cogently point out, "employers were sceptical of the use of wages to promote economic restructuring on the account that not all firms can automate and increases in wage costs are irreversible." In effect, employers were protesting that they were not amply consulted, that they would bear the costs in this policy 'experiment', that higher wage costs risked the loss of competitiveness and profits.

In response to the second industrial revolution, the SEF's role within the NWC changed dramatically. Despite the pressures from its members to protest, in the face of the PAP's high wage policy, the SEF's realistic strategy of moderate wage increases was undermined. Accordingly the SEF's policy focus was partially re-directed from representation within tripartite corporatist bodies like the NWC to direct public policy lobbying of the government. However, once it became clear to the SEF's leaders that their lobbying the PAP against the shift would be unsuccessful, its leadership soon turned its attention to helping soften the impact on employers of an imminent high wage cost era (SEF, 1979: 13) and it adopted a number of strategies.

At a policy level, the SEF sought ways to promote and create a conducive environment for productivity increases. This was an effective way to justify paying high wages for existing employees as well as preparing workers for a shift from labour-intensive to capital-intensive methods. It also recognised that the two percent levy contribution to the Skills Development Fund (SDF) was an "economic tax" that encouraged employers "who are prepared to upgrade and restructure their operations and train their workers to do enlarged jobs and in new and higher skills" (SEF, 1979: 14). In this way, employers could recover their levy contributions, as well as prepare their workers for a restructured economy.

The SEF recommended to the NWC that employers only pay those employees reaching the top of their pay scales one half of the recommended wage adjustment. Under seniority-based wage systems, these employees were often older workers. Through this recommendation, the SEF hoped to contain wage costs of older workers and encourage companies to retain them. This helped to preserve tacit knowledge of older but more experienced workers. It then promoted the removal of existing fringe benefits that, it argued, bore no relevance to the job, in exchange for a general wage increase up to a maximum of two percent.

In order to achieve greater management flexibility in job functions and maximise the usage of labour resources at workplaces, the SEF sought to work together with labour unions. This meant that workers were trained to be multi-skilled and could be easily deployed to other job functions. Finally, the SEF's leadership lobbied for a more moderate and orderly restructuring of Singapore's economy "with due considerations and without undue haste" (SEF, 1979: 14). In this way, it hoped SEF's members would have sufficient time to restructure their business operations to better suit the new economic environment without needless costs.

The experiences of this critical period again reminded Singapore's key institutional industrial relations practitioners that national interests, as defined by the directives of the PAP government, superseded their roles of defending their respective sectional interests. Through their recent experience in the NWC, employers' associations had already recognised that they had a critical role to play within Singapore's corporatist framework. In response to this more recent critical event, the views of employers and employers' associations toward their roles in Singapore's industrial relations had clearly changed. Another way to examine this is by applying

Sheldon and Thornthwaite's (1999) employer association strategy model to illustrate SEF's strategic choices in 1979.

This chapter has examined the four sets of external pressures mentioned in the Sheldon and Thornthwaite's model. Under the first set of external pressures – "environmental influences" – this chapter has explained that the main economic challenges employers faced during this period were rising wage costs due to acute labour shortages, and the effects of the global oil crisis from 1973 to 1974. From the perspective of the SEF, this was an important set of external pressures that shaped its role within the NWC, amongst employer groups and, subsequently, reinforced its role within the wider Singaporean corporatist framework. It encouraged the SEF to consolidate its position as the leading national employers' association in Singapore.

Under the second factor –"industrial relations institutional structures and processes" – the dominant factor during this period was the establishment of the NWC in 1972 and the brisk development of Singapore's incomes policy. The NWC was a significant contribution to Singapore's corporatist framework. It provided a platform for key industrial relations practitioners to work together to reach consensus and further shifted regulation of important market behaviours into the parameters of tripartite negotiations, away from organisational and coercive power.

Once again, for SEF, its new corporatist role required it to recognise and support – at least in principle – PAP's policy that Singapore's labour-intensive industries were not sustainable in a new competitive global environment and the launch of the second industrial revolution in 1979. This, predictably, included high wage policies. As part of its comprehensive approach to make this risky strategy successful, the PAP government developed a new set of enabling tripartite institutions such as the SDF. For the SEF, this

meant making a strategic shift to work from within these tripartite arrangements to find ways to soften the impact of high wage increases for employers.

The third factor –"strategies of other employers' association" – involved the SNEF's other predecessor, the National Employers' Council (NEC). The focus above centred on the SEF, largely because the NEC strategy during this period was remarkably similar. Its policy embraced engagement and collaboration with the government, other employers' associations and the NTUC within Singapore's corporatist framework. In fact, NEC's 1972 *Annual Report* (NEC, 1972: 22) painted this strategic picture in symbolic terms, "The NEC symbol (the three diamonds at the end of the triangle) symbolises the tripartite relationship between the government, the workers and the employers." From a review of the primary and secondary literature, no evidence was found of animosity nor open rivalry between the SEF and the NEC. While both associations shared a similar focus on labour-related issues, few conflicts of interest existed between the two. The NEC catered more specifically to local manufacturers and the Japanese MNCs in the Jurong area. Further, both the SEF and the NEC were represented on major government statutory boards and committees. They largely saw each other as partners in defending the general interests of employers rather than as rivals. Thus, this third factor was more likely a constant for the SEF when making strategic choices, expecting the NEC support or, at the very least, not opposing its choices.

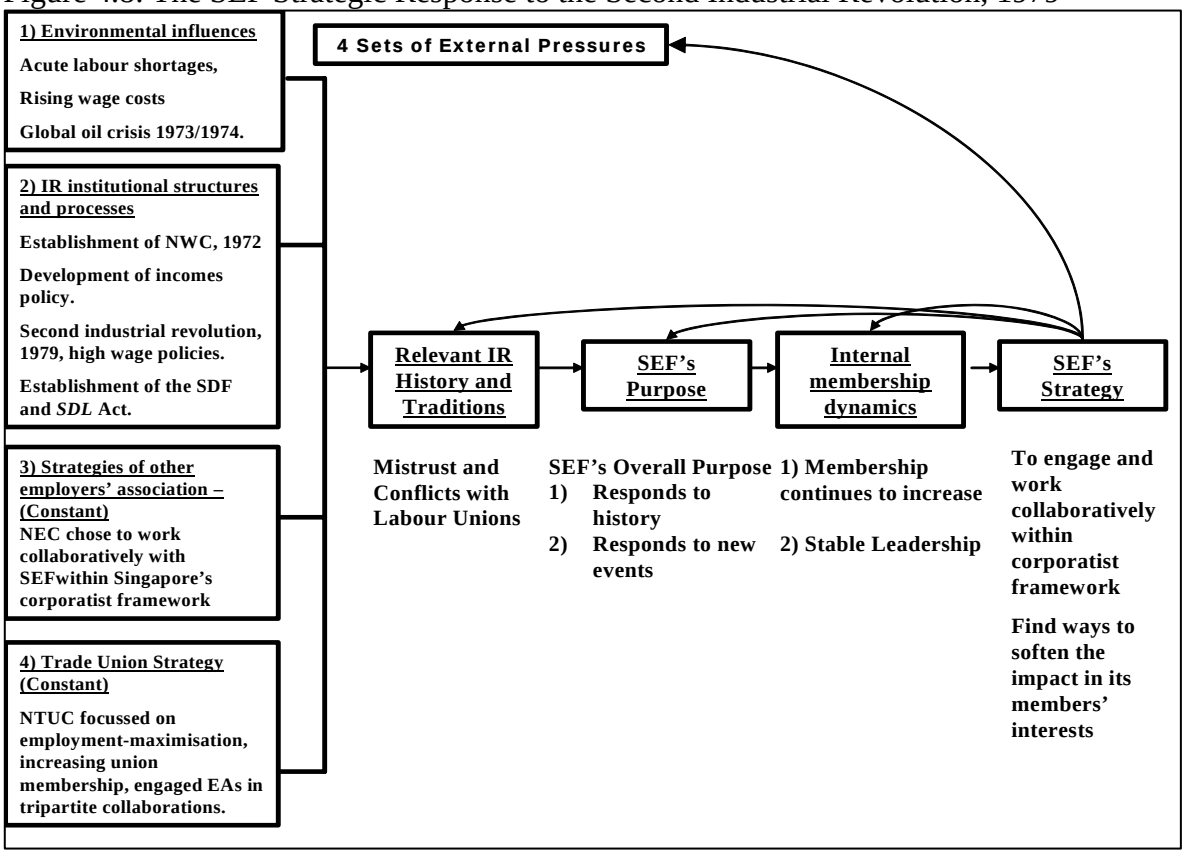
From the SEF's perspectives, the fourth factor – "trade union strategy" – was another constant working in employers' favour compared to the previous period. In the 1970s the NTUC effectively became the only peak association for the majority of Singapore's labour unions. It was stable and financially sound. Moreover, its focus continued to be on employment-maximisation, increasing union membership, and

engaging the government and employers' associations, such as the SEF, within tripartite collaborations.

Thus, of these four external pressures, the first two are more likely to have triggered some strategic changes for the SEF during this period. The key question that remains for this period is: How did the SEF's internal dynamics respond to these external pressures through the two lens of 'relevant industrial relations history and traditions' and 'SEF's purposes'? The answer is clear if perhaps surprising. While the confrontational labour-management relations of the past were still fresh in the minds of SEF council members, its external institutional environment clearly changed in ways favourable to employers. These were sufficient reasons to warrant a change in the SEF's leadership's mind-set and strategies. This included the rather unusual choice not to oppose the second industrial revolution and its recipe for increasing labour costs. While opposition is precarious in the Singaporean context, it was also the case that, by then, the SEF had clearly recognised the importance of its role within Singapore's corporatist framework. This helped the Council to consolidate its institutional position, in policy implementation, but also more generally its "associability" and "governability" functions as the leading employers' association.

The internal dynamics within the SEF were harmonious and productive due to the stability and effectiveness of its leaders. Through analysing the SEF's activities from 1975 to 1979, this author finds the SEF's strategic behaviour to have been one of prioritising pre-emptive engagement and collaboration. This is evident in the fact that it recognised that diminished industrial unrest meant a re-defined collective role and the opportunity for expanding its selective and even limited elective goods.

Figure 4.8: The SEF Strategic Response to the Second Industrial Revolution, 1979



Source: author analysis.

4.9 Summary and Conclusion

This chapter is marked with the establishment of the NWC in 1972. For the following seven years, the crucial NWC focus was on pursuing an employment-maximisation incomes policy. At the institutional level, it provided a common platform for the corporatist actors to interact collaboratively, building close personal and institutional relationships within the Singaporean variant of corporatism. In elaborating a successful incomes policy, the NWC was also successful in building a strong relationship amongst the representative parties in the new tripartite arrangement. The PAP's unilateral decision to initiate a second industrial revolution in 1979 put this 'strong relationship' to the test. While the SEF and its members were sceptical about the PAP's high wage policy, they clearly recognised the government's determination to push ahead with the proposed reforms and restructuring plans. Thus, application of the Sheldon and Thornthwaite's model depicts the SEF's strategic choice as working with

the other tripartite partners, both within the NWC and other corporatist institutions, in finding ways to provide a ‘soft landing’ for its business constituency.

At the same time, throughout this period, the SEF is seen actively expanding its collective, selective and limited elective roles.,It performed its collective role well by successfully lobbying for moderate wage increases, contributing to developing a successful offsetting principle and the implementation of other remuneration and work performance practices. At the same time, the SEF successfully expanded its other services by boosting resources for its secretariat. As a result, the SEF continued to enjoy strong membership growth throughout this period. All of these facts point to the effectiveness of the SEF’s leadership and also, to the stability of its internal dynamics during this period.

The next chapter considers the third distinct period of Singapore’s industrial relations development which saw the formation of the SNEF and, consequently, a new corporatist framework.

CHAPTER 5

THE FORMATION OF THE SNEF AND ITS EARLY YEARS

1980-1986

5.1 Introduction

This chapter examines the foundation of the SNEF and explores the SNEF's strategic choices in the light of its internal dynamics, external environment, and the interaction of these two spheres (Jun and Sheldon, 2006). This provides an unexplored perspective on the development of Singapore's industrial relations in this period. But first, the following few paragraphs provide the contextual background crucial to understanding the development of the SNEF's early years.

Singapore's economy continued to grow strongly in the early 1980s. Average annual GDP growth was 8.7 percent, average nominal wage rate rose 13.1 percent and, importantly, average annual inflation remained manageable at 4.9 percent (see Table 5.5 and Appendix 1). Singapore was still a relatively young economy and, under the PAP's second industrial revolution, the strategic intent for the high-technology manufacturing and trading sectors to become the main engines of growth was showing results (Seah, 1981; Chan 1982; 1983).

Politically, the picture was propitious for the ruling party at the beginning of this period. The 1980 election saw PAP return to power with a clean sweep of parliamentary seats, winning 77 percent of the vote. This was the PAP's fourth successive complete dominance at the polls since 1972. It clearly reflected the PAP's strong rule in Singapore. As well, the symbiotic PAP-NTUC relationship strengthened following Lee Kuan Yew's speech to the NTUC's 1979 Delegates Conference and the NTUC's full endorsement of the PAP's second industrial revolution (NTUC, 1980). Singapore's

corporatist framework continued to develop, further facilitating more tripartite collaboration.

The NWC and its incomes policy continued as a central focus (Chew and Chew, 1995a). Leggett (2007: 643) identifies this period as a second distinct transformation of Singapore's industrial relations, shifting from corporatism to what he calls "corporatist paternalism". For Leggett (2007), the primary objective of this transformation was wage reform and trade union restructuring to facilitate technology- intensive industrialisation based on MNC management. In regard to employers, the formation of the SNEF in 1980 was, from their perspective, a new era for their role within Singapore's industrial relations.

For this thesis, three critical events marked this period. Most importantly, in 1980 Singapore's first unified national employers' association (SNEF) was formed by the merger of the two existing national employers' associations – the SEF and the NEC. The merger meant that the other tripartite partners only needed to engage with a single national employers' association on labour-related matters, in institutions like the NWC. Second, in the early 1980s, the Singapore government sought to emulate Japanese industrial relations by promoting workforce re-skilling as part of its official productivity movement. This also implied that Singaporean industrial relations would see a proliferation of enterprise unionism (Wong, 10 August 1983). Singapore's productivity movement was significant to the government's growth model because it and other PAP-orchestrated initiatives generated momentum for Singaporean workers to be amongst the best-rated workers in the world since 1980 (Teo, 22 October 1997: 6), according to the Quality of Workforce Index (QWI)[2] produced by the US-based Business Environment Risk Intelligence (BERI). This, in turn, made Singapore a more attractive

[2] For BERI's explanation of QWI, please refer to http://www.beri.com/qwiExplanation.asp (updated 22 February 2004) .

location for capital-intensive FDI despite–rising wage levels. On the other hand, enterprise unionism facilitated decentralised collective bargaining, paving the way for a more flexible industrial relations structure better able to help these companies cope with external shocks.

The third critical event was Singapore's first post-independence recession, in 1985. It hastened the pace of restructuring of Singapore's economy. It also changed Singapore's industrial relations landscape in a number of ways. Within a year, Singapore's uninterrupted, high annual GDP growth since independence had come to an end, abruptly falling from 8.3 percent in 1984, to minus 1.4 percent in 1985 (see Appendix 2).

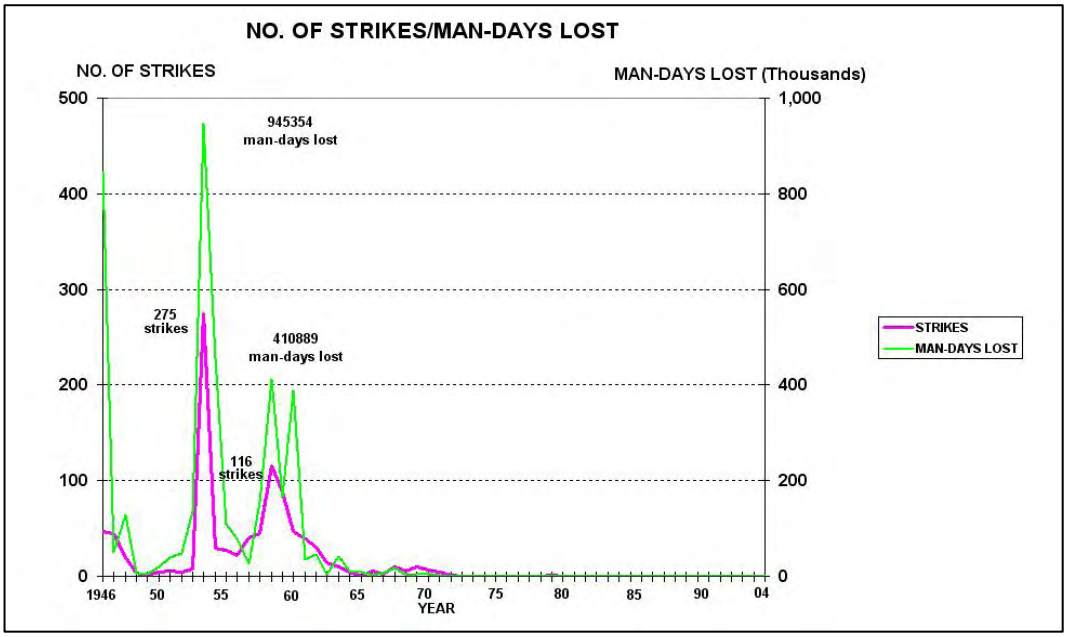
The recession was particularly significant for the PAP in light of the 1984 election loss of two parliamentary seats to the opposition. It suggested an underlying level of fear that the end of PAP's dominance may have begun. As Chan (1986) remarks, "Singapore's middle income, public housing dwellers, the bedrock of the PAP's electorate, were increasingly estranged from the ruling party." From the PAP's perspective, this was a worrying situation that highlighted a changing mood in the Singaporean electorate. In these circumstances, job losses and unemployment arising from economic recession was an ill-timed development for Singapore's ruling party. From SNEF's perspective, its role in responding to this critical event within the corporatist framework, formed one of the few highlights of its early years. But first, the next section explores SNEF's foundation.

5.2 The Formation of the SNEF, 1980

Consideration of the SNEF's formation calls for discussion of the reasons as well as its significance and timing. First, the formation of the SNEF in 1980 occurred during a period of industrial peace. This was in stark contrast with the timing of the

formation of the SNEF's two predecessors. In the latter cases were organisational responses for protecting and advancing employers' interests in the face of the labour union movement. Given that the PAP's policy from the early 1960s had contributed to shaping an industrial relations system which had dramatically reduced labour strife by the late 1960s (see Figure 5.1). Thus, more than a decade of industrial peace preceded the SNEF's formation. This begets the question: What triggered the SNEF's formation in the absence of conventional labour market catalysts of industrial strife?

Figure 5.1: Number of Strikes and Man-days Lost in Singapore, 1946-2004



Source: Singapore Ministry of Manpower (http://www.mom.gov.sg/publish/momportal/en/communities/workplace_standards/trade_unions/Statistics/strikes.html, viewed 12 December 2007)

Since gaining power in 1959, the PAP had made clear that it would not allow any oppositional interest groups in Singapore to undermine its agenda for promoting industrial peace and attracting FDI. The NWC set up the central institution to coordinate the key role of wage regulation. From the PAP government's perspective, then, the merger of the two major employers' associations with a primary focus on labour-related matters was a logical, indeed necessary, step in formalising a more cohesive corporatist framework. A single national employers' association to participate actively in its

corporatist arrangements contributed to this goal (Tae, 1969; Chew and Chew, 1995a; Lee, 1998). As well, all available primary evidence highlights the SNEF's formation as largely a government-led initiative, rather than a process that developed organically from among employers or from the SNEF's two predecessors.

Ong Yen Her, the MOM's current Divisional Director of Industrial Relations, views the formation of the SNEF as a critical event that constituted a turning point in Singapore's industrial relations development,

> To me, that [the merger of SEF and NEC into SNEF] was quite a turning point. Not many countries can be organised in this way. You look at other countries, very often you have more than one employers' organisation and many unions' centres and there were frequent changes of government. So [in the case of Singapore], stability is there. Stability in my view has also contributed to the smooth development of cooperation and tripartism (Interview: Ong, January 2007).

Ong Pang Boon, the then Minister for Labour, suggested to employers in November 1979, that the main employers' associations might amalgamate. Ong candidly indicated the government's expectations that the newly formed SNEF would be "a positive move which [could] facilitate the contribution of employers to harmonious industrial relations and economic development in the years ahead" (Singapore Government press release, 26 July 1980). Notably, the presence of a senior government representative, Dr. Han Cheng Fong, the MOL's Permanent Secretary, at amalgamation meetings over the following seven months, signalled the government's resolve in this matter. In short, there was no turning back from the "good suggestion" of the Minister for Labour (SEF, 1979:8).

This official explanation has not changed with time. SNEF's 2003 *Annual Report* echoed earlier expectations regarding SNEF's 'corporatist role',

> The formation of SNEF on 1st July 1980 was seen as a positive step to facilitate the continuity of industrial harmony among the_tripartite partners (SNEF, 2003: 4).

From employers' perspectives, it also made sense to have a unified employer voice within Singapore's corporatist framework. First, the policies of the three key tripartite councils – the National Wage Council (NWC), the National Productivity Board (NPB) and the Central Provident Fund (CPF) – directly affected the cost of doing business. Employers could not afford to have their voice precluded from these forums. They needed strong representation in such crucial tripartite committees. In a recent interview, Stephen Lee reaffirmed this important employers' view, more so because the NWC's continuing emphasis on quantitative wage guidelines provided little flexibility in regard to employers capacity to pay,

> Because the Singapore government has rules and more important and pertinent topics are discussed at the national level, employers feel that we must have national representation. So these are the push factors for the employers to get organised. I think NWC is an important one. Because those days, the guidelines were quantitative guidelines (Interview: Lee, February 2007).

Second, employers conducting business in Singapore needed to abide by the rules of the state – written or otherwise. When the Minister for Labour mooted the idea of having a single national employers' association, employer groups took this very seriously. Stephen Lee recalled it as good idea to form the SNEF when "Ong Pang Boon suggested that since there were two employers' organisations with more or less the same objectives" (Interview: Lee, 2007).

According to Lee, it was only through the urging of Minister Ong that the better-established SEF agreed to merge with the NEC,

> NEC basically had nothing. It is just a group of people getting together. SEF was better established. Then in 1980, came the suggestion. I remembered Mr Ong Pang Boon suggested it and the two sides [NEC and SEF] got together to discuss the merger … I supposed from the Ministry's point of view, it was quite clear, we had two organisations who existed roughly with the same objectives and they [the Ministry] also felt that we have to consult both. Can't we serve the objectives better by setting a single organisation? (Interview: Lee, February 2007).

From the secondary sources, a similar picture emerges. Chew and Chew (1995a) and Leggett (2007) also outline the government's underlying intentions for the SNEF to perform an active role in Singapore's corporatist framework. The research literature on employers' associations indicates that employers' associations explicitly exist to defend the interests of their members but that, implicit in their objectives, are the reasons why they originally organised themselves. According to Sheldon and Thornthwaite (1999:6), in order to stay relevant, employers' associations need to hold true to their stated objectives and purpose,

> In general, the structure of an association and the range of services that it provides to its members (and non-members) is a function of its purpose and the objectives it chooses to achieve that purpose.

The SNEF's predecessors had drafted more strongly-worded objectives, primarily directed at protecting the interests of employers during a period of intense industrial unrest. Thus, the SEF's stated objectives had included:

> 1. To coordinate the attitude of employers on labour questions and to secure mutual support in dealing with such questions;
> 2. To encourage the payment of equitable wages, salaries and other emoluments;
> 3. To maintain and promote good relations between employers and employees;
> 4. To represent members in trade disputes and to encourage and take part in the settlement of such disputes by arbitration or conference; and
> 5. To influence legislative and other measures affecting employers (quoted in [Employment-Driven Industrial Relations Regimes: The Singapore Experience] Chew and Chew, 1995: 94).

Here, SEF has specifically aimed its first and fourth Objectives at dealing with labour union threats. In contrast, the formation of the SNEF occurred in a period of industrial peace. The PAP government widely promoted harmonious labour-management relations and labour unions had rejected industrial confrontation. As well, the SNEF faced a different, more sophisticated set of challenges in the context of intensified economic competition and Singapore's own structural economic problems.

Reflecting these changes and employers' own experience of the NWC processes, the SNEF's early objectives presented a more institutionally directed and micro-economically focussed tone, which illustrated the corporatist themes underlying the SNEF's formation. As well, the SNEF's objective is almost word for word the 'objective' of a trade union in the Trade Union Act 1982 i.e.:

> (i) to help members maintain good industrial and labour-management relations; and
> (ii) to facilitate the raising of productivity for the benefit of members, employees, and the economy of Singapore (SNEF, 1985: 1).

In the six years after its inception, it became clear that the SNEF had embraced its intended active corporatist role. In doing so, the SNEF sought to prepare its members for the new challenges of the 1980s; to promote the SNEF's services; and, most importantly, to actively manage wage issues in the NWC forum. Be it a strategic choice (Leggett, 2007) or a resource-dependence decision (June and Sheldon, 2006), it was clear that the SNEF had chosen to prioritise engagement in tripartite collaboration with the NTUC and the government within Singapore's corporatist framework.

Yet the question remains as to why the government waited eight years to take this initiative. When asked, ex-SNEF Manager, Chia Boon Cher, explains that the success of any merger between two organisations requires several conditions, and takes time to implement. He noted,

> Any political organisations, it is not easy for them to merge. Even two unions found it difficult to merge. It is a question of leadership, it is a question of character, it is a question of trust, it is a question of political will, there are so many things. Of course with the eventual urging of the Government, it does help a bit. Who wants to give up to be the President of a larger organisation? Some may agree, others may not agree. So you need political will, wisdom of the leadership and of course, the support of the members. At the end of the day, the [or to?] dissolve of an organisation needs the approval from the members. So I believe like any other organisations, it needs time to evolve, needs time to persuade, needs time to build up confidence that the merger makes sense (Interview: Chia, December 2006).

While it seems logical that it takes time to resolve political difficulties that might arise from merging two employers' associations with very different membership bases, the speed with which the SEF and the NEC merged indicates further reasons. Given the forward-looking nature of the PAP and the reputation of Lee Kuan Yew for planning (Lee, 2000; Turnbull, 1977; Trocki, 2006), the development of the merger in 1980 requires further consideration

The most important factor that year was the unfolding of the PAP-orchestrated second industrial revolution. The formation of the SNEF – as a part of consolidating what was termed a 'new-style' corporatist framework – appears to be a component in the PAP's macro plan. Why was this so? First, the NWC's high wage policy, in supporting the PAP's second industrial revolution, divided employers. As noted earlier, the public sector and MNCs could afford higher wages, other employers could not. The latter either ignored the NWC's recommendations, went out of business, or simply moved overseas,

> While the economy is doing well, not all its sectors were able to adjust to the high wage increases … many have found the substantial wage increases hardly bearable; some would likely perish with another high-wage increase expected for the 1981 wage year (SNEF, 1980: 17-18).

In retrospect, the urging by Minister Ong Pang Boon reflected the government's problem of having to deal with different voices from the employer side within its carefully-crafted corporatist framework. Such sentiments were clearly reflected by ex-SNEF's manager, Chia Boon Cher, who had been a MOL's officer in his early career,

> When I was working for the Ministry, there was a concern there was no single voice for the employers and both of them [NEC and SEF] may have different points of view. From the tripartite perspective, you have a single voice from the unions, you have a single voice from the government but no single voice from the employers … Ong Pang Boon … was concerned that in order for tripartism to work, the components (tripartite partners) must be strong and effective and single voice (Interview: Chia, December 2006).

A complication was the lack of peer discipline on employers in providing a single voice, characteristic of such corporatist arrangements. As voices of dissent against the NWC's high wage policy began to emerge from the second industrial revolution, the government deemed this to be a 'threat'. Employers in general were less amenable to the influence of key, and usually larger, employers in supporting the PAP policy, because separate groups were represented by three different associations. This was also inconsistent with the ideology of tripartism, upon which the state heavily relied to ensure industrial peace and encourage FDI. These issues were soon addressed as the new entity emerged.

Second, following the case of Phey Yew Kok (see Chapters Four and Five) and other changes in Singapore's industrial relations landscape, the labour movement in Singapore underwent major restructuring in the early 1980s. This was primarily aimed at re-orienting labour unions to contributing to national economic growth policies, rather than representing sectional interests. Barr (2000b: 481) observed, "it was a period of considerable government-sponsored change in the trade unions, including a strategic change of peak union leadership, the induction of university-trained scholars to union leadership positions, and the restructuring of the entire union movement." Furthermore, this period coincided with other PAP-orchestrated events; notably, the attempted emulation of the Japanese industrial relations model. These factors signalled the PAP's plans to restructure the corporatist framework at the national 'peak' level and supporting institutional levels, enabling it to better respond to its wider economic plan for the success of its second industrial revolution.

In summary, two key factors explained this phenomenon. First, it was clear that the PAP government had 'pushed' for the formation of the SNEF to coincide with, and contribute to, its macro plans to overhaul Singapore's economy through the second

industrial revolution. Second, even with strong government urging, the merger of the SEF and the NEC could not have happened so promptly without the political will and strong leadership within these two organisations. The continuity of leadership and close informal networks identified in Chapter Four provided enabling conditions for promptly achieving the amalgamation. Chia Boon Cher (Ministry of Labour and SNEF) was appropriately positioned to observe,

> Of course in order for them to merge, there must be enough political will on the part of both SEF and NEC. Fortunately at that time, there were two very strong leaders, Mr. Stephen Lee was running NEC and Mr Jack Chia was running SEF. And of course Mr Jack Chia was much more influential, in terms of status because SEF was much bigger. Credit must be given to the two leaders who saw the logic of having a single voice for the employers rather than two separate voices (Interview: Chia, December 2006).

In short, the formation of the SNEF did not happen in 1980 by accident, nor simply just after a "good suggestion".

5.3 The SNEF Internal Dynamics, 1980-1986

(a) Organisational Structure

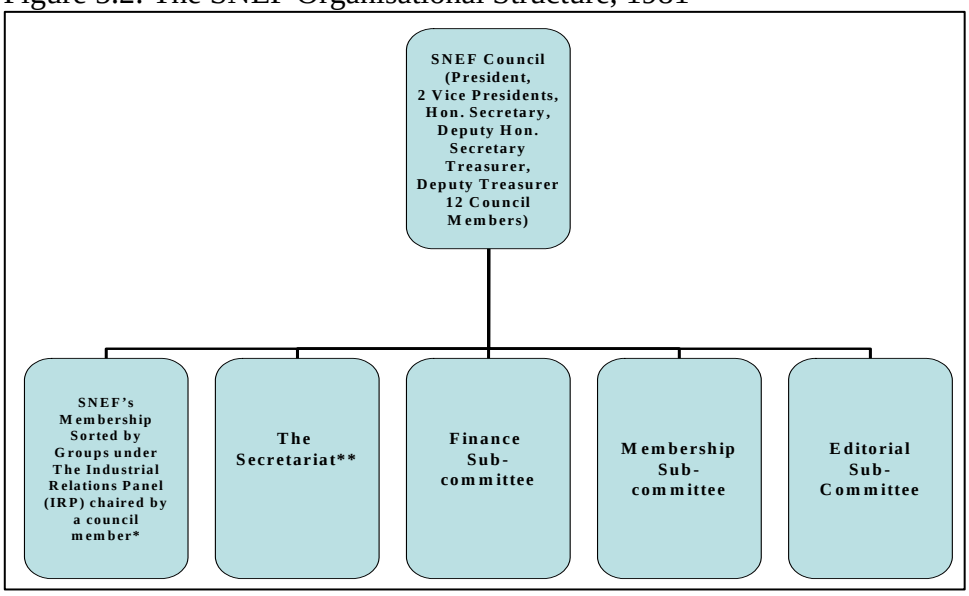
Pior to the merger, the SEF had 823 members while the NEC had 87 members. The SEF was not only bigger but better organised than the NEC (Interview: Lee, February 2007). Not surprisingly, the newly merged SNEF predominantly adopted the SEF's organisational structure, membership management and even the format of its annual report. But attention was given to ensure the partnership was one of equal status. Ex-SNEF manager, Chia Boon Cher, described the partnership: "The name SNEF actually includes both NEC and SEF. In a way, it's like a compromise, you take half my name, I take half your name" (Interview: Chia, December, 2006).

A crucial element of the new organisation's governance structure was the SNEF Council. As with the preceding SEF Council, it was elected by members with delegated authority to manage the Federation on behalf of members. This meant that while the

new SNEF's functional organisational structure was comparable to a commercial business, the SNEF's governance arrangement safeguarded its identity as 'a trade union of employers'.

According to the SEF's *1979 Annual Report*, the inaugural SNEF Council was to have 21 members – 14 nominated by the SEF and seven nominated by the NEC. These councillors, including seven office bearers, covering offices of the President, two Vice-Presidents, two secretaries and two treasurers, were to serve for two years pending the first elections within SNEF as the new entity. Like SEF, the SNEF's organisational policy-making structures included a finance sub-committee, a membership sub-committee, as well as an editorial sub-committee, established to deal with financial-related, membership-related, and information dissemination-related matters respectively (see Figure 5.2).

Figure 5.2: The SNEF Organisational Structure, 1981



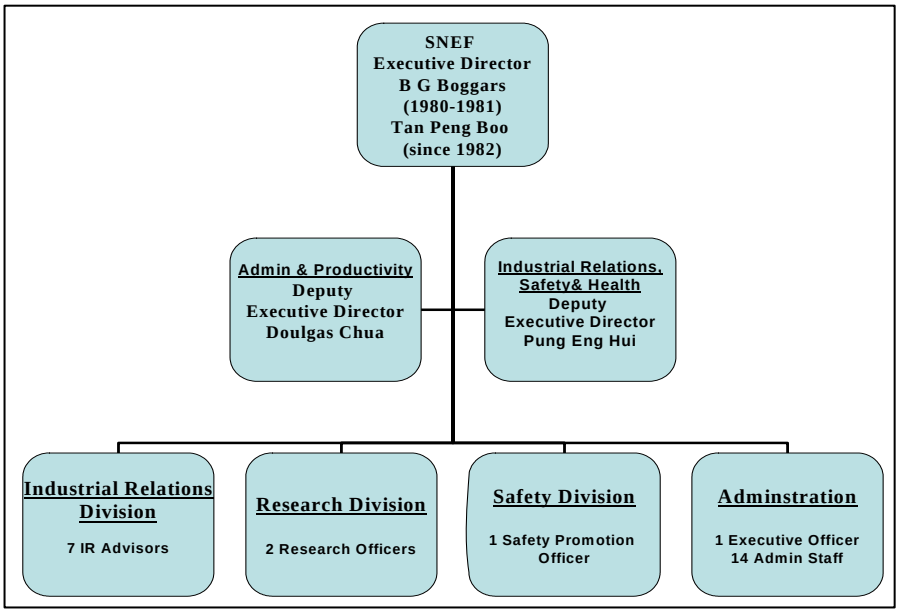
Source: SNEF *Annual Report*, 1981: 4-6.

The new SNEF secretariat employed 28 full-time staff and adopted a similar organisational structure to SEF's (see Figure 5.3). In contrast to the elected membership of the SNEF Council, all secretariat staff was appointed (professional employees). In particular, the SNEF Executive Director managed the professional employees and

reported to the SNEF Council. In turn, SNEF members elected the Council to manage the Federation on their behalf. In the literature on employers' associations, this structure is common, but it may not always be the case (Sheldon and Thornthwaite, 1999). For example, for the Korean Employers' Federation (KEF), since the Korean democratisation movement in 1987, professional KEF's staff (appointed) held considerable influence over the elected KEF staffs, termed the "Chairman's Group" (Jun, 2007).

The SEF's Executive Director, Brian G. Boggars, became SNEF's inaugural Executive Director. On his resignation in 1982, Tan Peng Boo, a former Deputy Secretary from the Ministry of Labour, who held office for eight years, assumed Boggar's role on 14 April 1982. SNEF's founders also created two new Deputy Executive Director positions to focus on issues of importance to the Federation's new corporatist role, namely industrial relations, health and safety, and productivity.

Figure 5.3: The SNEF Secretariat, 1980-1986



Source: compiled by author from SNEF *Annual Reports*, Various Years.

With the combined resources from SNEF's two predecessors, the new Secretariat was able to provide services beyond routine administrative support. Recognising that members' needs had changed over time, SNEF progressively

expanded both its collective and selective goods, as well as introducing a limited array of elective services during this period. The expansion of SNEF's services required upgrading the skills of its Secretariat staff. Training programs for SNEF staff included fortnightly Executive Group Sessions "wherein developments in the labour scene as well as actual case studies were discussed" (SNEF, 1982: 9). For selected staff, SNEF had a scheme providing junior staff with financial support to upgrade their skills, undertaking other internal SNEF courses, and external training programs.

(b) Membership

The SEF had been a national employers' association and the NEC, a sectoral employers' association with particular focus on manufacturing employers in Jurong. The new post-merger entity, the SNEF, was strategically positioned to be the leading national employers' association. From its inception, the SNEF continued the SEF's tradition of accepting members regardless of category or size, requiring to fulfil only two criteria: to employ two or more employees; and to agree to abide by the SNEF's constitution (Interview: Hou, February 2007; Koh, February 2007; Lee, February2007).

Nevertheless, given the SNEF's strategic intent, SNEF's leaders stressed the importance of big companies and their role within the SNEF's membership. From the start, the SNEF prioritised recruitment of leading employers. The SNEF's Executive Director, Koh Juan Kiat explained, "The reason why we approached leading employers is because they have the certain goals in shaping tripartism, in labour issues, in management issues" (Interview: Koh, February 2007).

The potential leadership for having Singapore's largest employers as members was vital for securing the internal policy direction and cohesive discipline of the new association and its external profile. Their inclusion was also crucial for the SNEF's financial and hence operational viability. Larger employers are invariably more able and

willing to pay subscriptions than smaller firms. Thus, for the SNEF, like many other employers' associations in other countries, prioritising recruitment and membership retention of large employers has been the most resource-effective strategy. This was particularly the case given that the SNEF's income continued to overwhelmingly rely on membership subscriptions – some 90 percent (see Table 5.1). Generally the greater number of employees, the higher the level of subscriptions. To cater for fluctuations in employee numbers, the SNEF collected these membership dues on a half-yearly basis (Interview: Hou, February 2007). While the available data was for only two years, this trend appeared to continue over this period.

Table 5.1: The SNEF Income Composition, 1980 and 1981

Sources of Income	1980/1981	1981/1982	Average	Av. %
Subscriptions	$638,194	$906,666	$772,430	89.4%
Interest on fixed deposit	$2,138	-	$1,069	0.1%
Other Income	$68,922	$112,857	$90,890	10.5%
	$709,254	$1,019,523	$864,389	100.0%

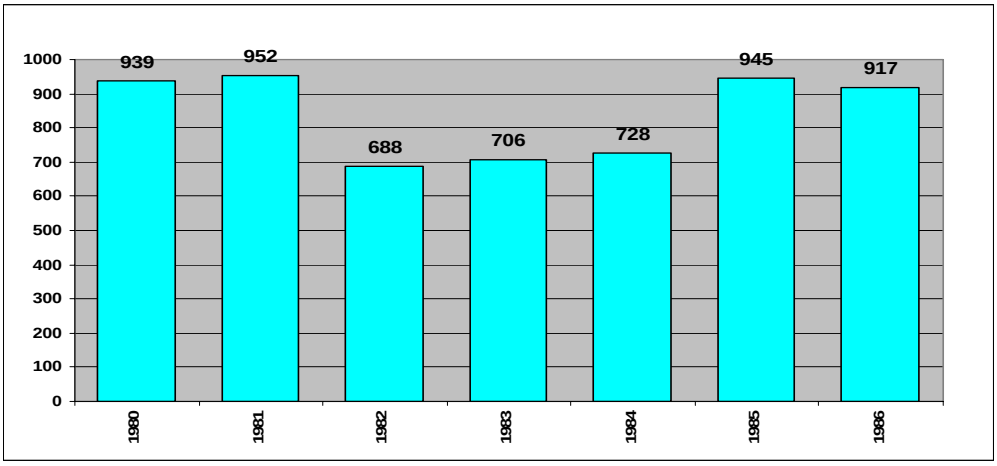
Source: compiled by author from SNEF *Annual Reports*, 1980, 1981.

During its inaugural period, the SNEF maintained a stable membership trend despite some members disaffiliating. Among the resignations, the SNEF's Manager of Members Relations, Shaun Hou, explains that the consistent reasons for this were members ceasing operations or moving their regional office out of Singapore. The remaining resignations found the SNEF's membership "no longer relevant in their context or they want to cut cost" (Interview: Hou, February 2007; December 2008). This was consistent with the 'calculative' nature of members, common in employers' associations, in particular, employers who join the SNEF only when they see value in this membership.

Like the SEF, the SNEF's membership comprised registered members and subsidiaries of registered members. Under the SNEF *Constitution* (Annex C Rule No.

5d), as long as members hold more than half the voting rights, they may register their subsidiaries for the SNEF's membership. However, the SNEF did not publish information on subsidiaries of registered members for the years 1982 to 1984. Thus, while Figure 5.4 depicts a dip in membership between 1982 and 1984, the SNEF still maintained a stable membership pattern as it continued to accept new members. This was a remarkable achievement for this newly merged entity, given the new economic challenges as well as employers' displeasure with the NWC's high wage policies during this period. On the other hand, the perceived advantages of participation in the national tripartite system under the auspices of the government remained attractive. But economic circumstances still affected membership, with a minor dip, resulting from the 1985 recession, from 945 in 1985 to 917 in 1986.

Figure 5.4: The SNEF Membership, Number of Companies, 1980-1986



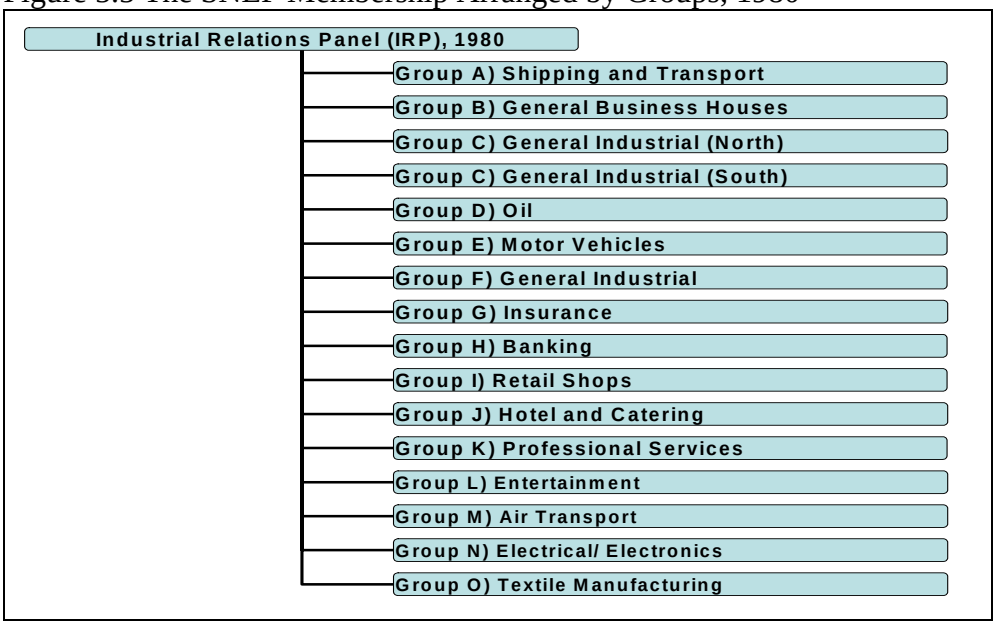
Source: compiled by author from SNEF *Annual Reports*, Various Years, 1981-1986.

The SNEF also adopted the SEF's method of organising its membership into detailed industrial groupings (see Figure 5.5), in part to accommodate the merger. The latter culminated in 16 industrial groupings. Most NEC's members were allocated into Group F (General Industrial) which the SEF previously termed General Industrial (Jurong). In the merger process, the SNEF added three new groupings: professional services; electrical/electronics; and, textile manufacturing. Together, the 16 groupings reflected Singapore's overall industrial composition in the 1980s, with manufacturing

and trading sectors taking the lead as Singapore's main engine of growth (Lim and Pang, 1986).

Notably, foreign-based MNCs invested in strategically important industries that Singapore had traditionally relied upon in her status as Asia's premier transportation hub, apart from FDI seeking Singapore's tax incentives in the manufacturing and trading sectors. The traditional areas included the oil refining, shipping and transport, and air transport industries (Huff, 1994; Rodan, 1989). This SNEF membership pattern added weight to its role as an employers' association and partner in the national corporatist framework assembled by the PAP government. Incidentally, these industries increasingly required banking and insurance services, providing the PAP with future opportunities to explore growth in the service industries. As well, the SNEF's design of these groupings recognised the emergence of more knowledge-intensive industries such as professional services and electrical/electronics. Discussion of leadership from companies within the SNEF Council appears in the ensuing section.

Figure 5.5 The SNEF Membership Arranged by Groups, 1980



Source: Adapted by author from SNEF *Annual Report*, 1980: 10.

(c) Leadership and Decision Making

According to the literature, "leadership and its decision making process" is the third but most important factor affecting the internal dynamics of an employers' association (Sheldon and Thornthwaite, 1999; Vatta, 1999). The decisive and strong leadership deployed by the Presidents of the SEF and the NEC facilitating the prompt formation of the SNEF, is a case in point. This strategic leadership was to mark the SNEF and its efforts in maintaining members' "associability" and "governability", while handling its external roles over successive decades. Discussions of these issues appear in subsequent chapters. As noted in Chapter Five, East Asian collective societies often see informal patterns of influence prevail over formal decision-making processes. How and when this occurs warrants further detailed investigation. We begin with the SNEF's election processes, and then look at its decision making processes. Taken together, they allow us to draw some important inferences regarding the SNEF's leadership patterns during this period.

According to two of the longest serving members[3] of the SNEF Council, President, Stephen Lee, and Honorary Secretary, Boon Yoon Chiang, the election of SNEF Council members is conducted by postal vote (see also the SNEF *Constitution*, Annex C Rule No. 14c). However, from the outset, there was little competition for these key positions (Interview: Lee, February 2007; Boon, January 2009). Office-holder roles and internal features, were central in key employers building and maintaining influence. A defining feature is "one-member-one-vote", that is, each member employer has one vote regardless of its employment size or level of subscription contribution[4]. Interestingly, this has not been challenged by larger companies, particularly MNCs,

[3] Since SNEF's inception in 1980, both Stephen Lee and Boon Yoon Chiang served in the SNEF Council. As well, prior to the merger, Lee was ex-President of NEC and Boon was the ex-Honorary Secretary of SEF. Thus, both interviewees were chosen to provide insights into earlier periods of the SNEF.

[4] SNEF *Constitution*, Index Rule No. 14(a).

despite membership dues being based on employment size. As Lee points out, it has been an issue of little significance because there has been little competition for leadership positions. As well, most expatriate representatives working for foreign-based MNCs prefer to leave industrial relations matters to local Singaporean members, as Stephen Lee (2007) explains,

> When you deal with union matters and industrial relations, foreigners usually do not feel that they are qualified to understand local matters. So you work with them and you bring them in. I would say that we have not had much difficulties [dealing with MNCs]. Because they have clear needs for employers to get organised (Interview: Lee, February 2007).

This does not imply that expatriate MNC representatives have not sought to serve on the SNEF Council. Several processes assisted this. As the leading national employers' association, SNEF needed inclusive Council representation, from across Singapore's principal industries, as well as its ethnic and foreign Chambers of Commerce. Furthermore, since the NWC is an important tripartite institution affecting business costs in Singapore, all employers, from large MNCs to SMEs, had a vested interest in its decisions. Given the NWC's tripartite design, the SNEF is an important conduit through which employers' voices could be heard irrespective of firm size. The SNEF's "one member-one vote" mechanism, therefore, has been important in ensuring that the SNEF Council and its policy-making regarding the NWC has not been overwhelmingly dominated by the larger companies.

As was the case for the SEF, the SNEF's IRP continued to be an important forum for feedback-seeking, information-dissemination and internal consensus-seeking from the outset. This remains the case today. Under the SNEF's *Constitution* (Index Rule No. 19 and 20), Council decisions occur through a formal voting process, but Council also consistently seeks member feedback on policy-related matters. It does this through two formal channels of communication: on the one hand there is the activity of

the IRP Chairman, and on the other hand there is the SNEF's Industrial Relations (IR) Advisors – Secretariat staff who are the association's first point of contact with members (see Figure 5.6). It is important to recognise, however, that both channels act as formal and informal conduits between the SNEF Council and the SNEF members. The IRP Chair is a member of the SNEF Council, and each industrial grouping has at least one chairperson and a dedicated SNEF IR advisor. This means that the SNEF has successfully created a tight feedback-loop to stay in close contact with its various membership bases. An informal level of communication is maintained as each group's IR Advisor organises regular and *ad hoc* meetings to discuss labour-related matters relevant to that group. Through time, these channels of communication became the SNEF's predominant internal consensus-seeking mechanism.

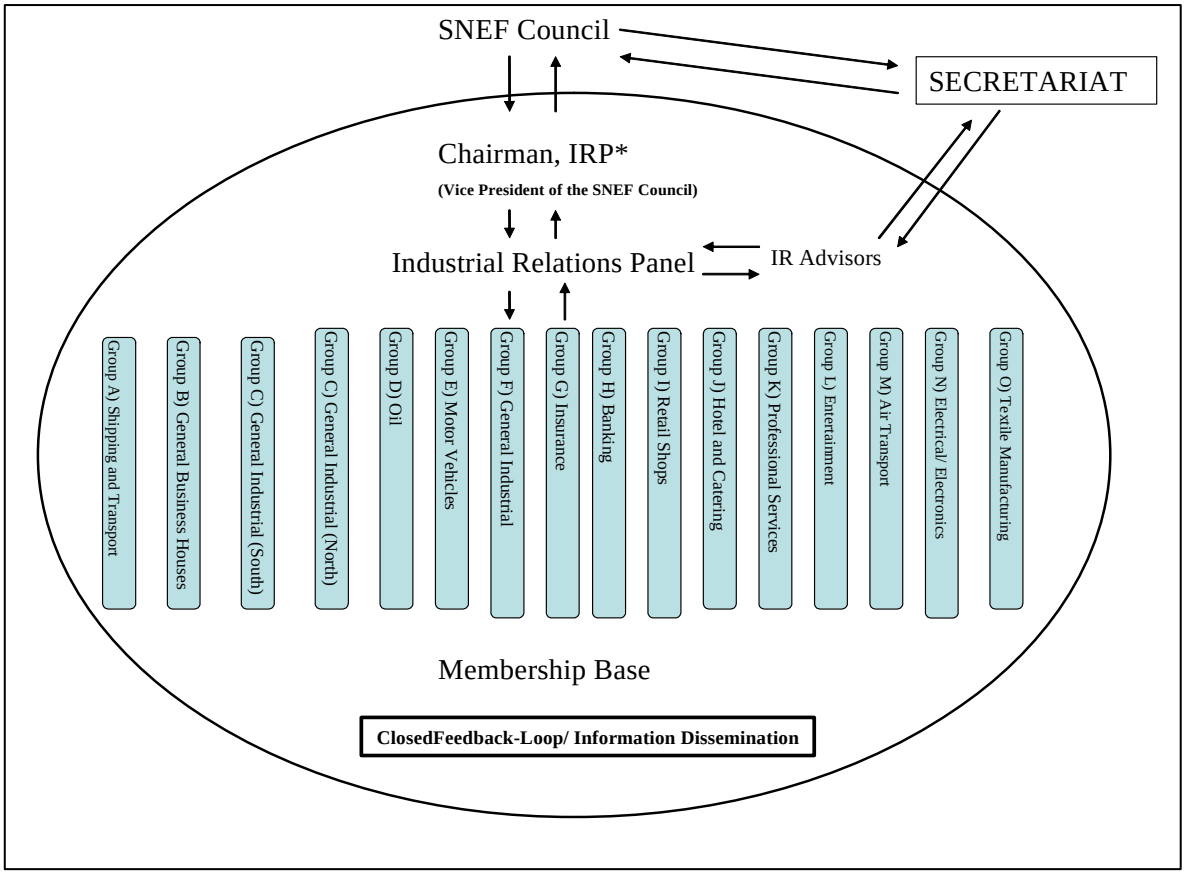
The stable leadership patterns are set out in Tables 5.2 and Table 5.3 for the SNEF Council and IRP, from 1980 to 1986. There are a number of important observations. First, the companies represented on the SNEF Council remained the same, even though their nominated representatives on the council may have served for only one term. In other words, the identity of the employer member as a company was, in some cases, clearly more important than the identity of particular senior managers representing it. This had far-reaching implications which warrant further elaboration. Research interviews with leading SNEF staffs, past and present, consistently point to the importance of leading companies and their leading role in SNEF. As well, as the SNEF was now the leading national employers' association, the more established companies in Singapore's major industries took the lead on the SNEF Council. Examples of leading companies include MNCs such as Hong Kong's Jardine Matheson; the UK's Chartered Bank; the USA's Esso, Italy's BBC Brown Boveri as well as prominent local SMEs

such as MPH, F&N, Yeo Hiap Seng, and the Mandarin Hotel (indicated in bold, Table 5.2).

Second, both local SMEs and foreign-based MNCs were well represented. As well, unlike its predecessors, there was a good mix of both local and non-local managers on the SNEF Council. This broad representativeness reinforced the SNEF's 'moral authority' in the Federation's premier position in Singapore.

Third, like its predecessors, because the SNEF did not have the authority to enforce rules on its members and depended largely on moral persuasion, the Council needed to exhibit strong, stable and representative leadership. The ensuing section provides further evidence of the effectiveness of the SNEF's leadership through its external roles.

Figure 5.6: The SNEF Internal Consensus-Seeking Mechanism and Decision Making Processes, 1980-1986.



Source: compiled by the author from research Interviews, and SNEF *Constitution* (1980).

Table 5.2: The SNEF Council Members, 1980-1985

	1980	1981	1982	1983	1984	1985
President	Jack Chiarapurk; **MPH**					
VP	Stephen Lee; Great Malaysia Textile					
VP	J D H Neill; **F&N**			Nelson F Britt; GE Asia		H F Busch; **BBC Brown Boveri**
VP				Lim Hong Keat; Metal Box		
Secretary	Boon Yoon Chiang; **Jardine Matheson**					
Deputy Secretary	James Lee; Wing Mei Outer-Wear					
Treasurer	C W G Endacott; **Chartered Bank**		JR Heaton; **Chartered Bank**		Michael R Taylor; **Chartered Ban**k	
Deputy Treasurer	Peter Siau; Skydar International	Peter Siau; Northern Telecom (Asia)				Takahiko Akamatsu; Sumitomo Bank
Council Members	Ang Poon Soon; Singa Plastics			Tom CC Chen; Micro Peripherals Singapore		David C Denman; Inchcape Berhad
Council Members	H F Busch; **BBC Brown Boveri**					Edward D Johns; Sixfold Limited
Council Members	Terence E Young; **Esso**	JJ Michalski Jr.; **Esso**	TJ Bolam; **Esso**	William Michael Adrianse; **Esso**		Koh Boon Hwee; HP Singapore
Council Members	V S Dalgaard; Cold Storage	John C Fleming; Caterpillar FarEast		Sonnie Lien; **The Mandarin Singapore**		
Council Members	MCJ Fiden; GE Asia	Nelson F Britt; GE Asia		Yutaka Ohtsuka; Chiyoda Singapore		
Council Members	Archibald Gilchrist; Vosper Private Ltd				Robert J Barton; Cold Storage	
Council Members	Lim Hong Keat; Metal Box					Albert Low; Applied Magnetics
Council Members	Anthony WB Hayward; Guthrie Berhad	Kihei Hirai; Mitsui Bank	Toshiaki Nagano; Mitsui Bank			Bob Tan; MK Electric
Council Members	John Yam; JYS Enterprises	TC Wright; Straits Steamship			Tan Wah Thong; Baker Marine Energy	
Council Members	Tay Kwang Seng; Hume Industries	Tay Kwang Seng; Hong Leong Industries			Sia Yong; Sim Lim Finance	
Council Members	Alan Yeo; **YeoHiapSeng**					
Council Members	Cheng Wai Keung; Wing Tai Garment					Harry G Van Wickle; Technology Applications

Source: compiled by author from SNEF *Annual Reports*, 1980-1985.

Table 5.3: The SNEF IRP Members, 1980-1985

	1980	1981	1982	1983	1984	1985
Chairman	Stephen Lee; Great Malaysia Textile					
Vice Chairman		Ding Siew Ming; Price Waterhouse Associates Pte Ltd				
Chairman, Shipping & Transport Gp A	Lawrence Mah; Straits Steamship Group of Companies					
Chairman, General Business Houses Gp B	Teoh Koon Keah, Guthrie Berhad		Sng Cheok Kye; Inchape Berhad		Ng Geok Kim; Jack Chia-MPH Limited	
Chairman, General Industrial North Gp C	Peter Chow; Rheem Hume Pte Ltd				James Tan; Rothmans of Pall Mall (S) Pte Ltd	
Chairman, General Industrial South Gp C	J M Ho; Singapore Tobacco Company (Pte) Ltd			A C Ho; Times Publishing	Richard Tay; Times Publishing	
Chairman, Oil Group D	Teo Ban Huat; Caltex (Asia) Ltd		Francis Yeo; Caltex (Asia) Ltd		Doris Tan; Singapore Petroleum Co Pte Ltd	
Chairman,Motor Vehicles Gp E	Ooi Tat Kheng; Kah Motor Company Sdn Bhd				Martin Lee; Tan Chong & Sons Motor	Colin Tan; Volvo East Asia
Chairman, General Industrial Gp F	William Tay; Singapore Oxygen Air Liquide Pte Ltd					
Chairman, Insurance Gp G	Barrie John Wells; Provincial Insurance Co Ltd	B L Pereira; New Zealand Insurance Co Ltd				
Chairman, Banking & Finance Gp H	Ronnie Khoo; Asia Commercial Bank Ltd				Ronald Lim; United Overseas Bank Group	
Chairman, Retail Shops Gp I	Chua Seow Ying; Le Classique (Pte) Ltd				Edward Tan; Metro Pte Ltd	
Chairman, Hotel & Catering Gp J	Richard Goh; Shangri-la Hotel Ltd		Adrian De Silva; Shangri-la Hotel Ltd			
Chairman, Professional Services Gp K	Jonathan Ou; Coopers & Lybrand					
Chairman, Entertainment Gp L	Tan Kim Chuan; Cathay Organisation (Pte) Ltd		Cynthia Goh; Eng Wah Film (Pte) Ltd		Yap Bock Seng; Shaw Service Pte Ltd	
Chairman, Air Transport Gp M	Ng Kah Thim; Singapore Airlines Ltd				Ong Boon Khim; Singapore Airlines Ltd	
Chairman, Electrical/ Electronics Group N	Ng Khek Keong; FEC Singapore (Pte) Ltd				Lee Siong Kee; GE Asia	
Chairman, Textile Manufacturing Gp O	P E Quek; South Grand Textiles Pte Ltd					

Source: compiled by author from SNEF *Annual Reports*, 1980-1985.

5.4 The SNEF External Roles, 1980-1986

The SNEF's internal dynamics and external roles are an integral part to the conceptual framework adopted in this thesis. Here, the SNEF performed two critical external roles. The SNEF had to meet ongoing demands that Singapore's (corporatist) IR system placed on it. It also had to meet the challenges of major changes to employers' external environment, that is, critical events in the analysis, whether those were planned and institutionalised (like PAP's Japanisation policy) or unplanned (like the 1985 recession). Notably, the SNEF performed its external role via the provision of collective, selective and limited elective goods.

5.4.1 The SNEF and its Ongoing Corporatist Responsibilities

The importance of industrial relations and labour management for Singaporean tripartism remained into the 1980s. In contrast to the Council, membership representation on the SNEF IRP (see Table 5.3) was predominantly local firms, with a similar interwoven pattern. Prominent positions were occupied by Lee, Jack Chia, Lawrence Mah (Straits Steamships) and Ding Siew Ming (Price Waterhouse). Moreover, as for the Council, representation of industry groups was lead by companies, as much as personnel. The roles played in labour policy and associated social activities are addressed here.

A significant symbolic role of the SNEF included representation before, or membership of, government statutory boards and committees in a number of key areas including: the CPF, the NWC, the IAC, and the NPB. Given the importance of local knowledge, it is not surprising that Singapore's leading local SMEs dominated the SNEF's representations in tripartite committees of key statutory boards (see Table 5.4). The three tripartite committees – the NWC, the NPB and the CPF – were the most important representative arenas for employers. Thus, the Federation's choice of

representatives needed careful consideration, as to act as an effective conduit between the SNEF's Council and the Tripartite Committees, they must command respect within the SNEF and the wider business community. They also needed to be able to negotiate with the other key corporatist stakeholders. In particular, Stephen Lee, a then the SNEF Vice President (now current President) and representative from an important local company, was prominent in such roles. Clearly, by this time, Stephen Lee had already established a prominent profile and reputation within Singapore's industrial relations.

Table 5.4: SNEF Representations: Tripartite Committees and Key Statutory Boards, 1980-1985

<table>
<tr><th>Key Tripartite Committees</th><th>1980</th><th>1981</th><th>1982</th><th>1983</th><th>1984</th><th>1985</th></tr>
<tr><td>NWC</td><td colspan="3">J D H Neill, F&N</td><td colspan="3">Stephen Lee, GMT</td></tr>
<tr><td>NWC (Alternate)</td><td colspan="3">Stephen Lee, Great Malaysian Textile</td><td colspan="3">Nelson F Britt, GE Asia</td></tr>
<tr><td>NWC (Alternate)</td><td colspan="3"></td><td colspan="3">Tan Peng Boo, SNEF</td></tr>
<tr><td>NPB</td><td colspan="3">Jack Chia, MPH</td><td colspan="3">Stephen Lee, Great Malaysian Textile</td></tr>
<tr><td>NPB (Alternate)</td><td colspan="2"></td><td colspan="2">T J Bolam, Esso</td><td colspan="2">Lim Hong Keat, Metal Box</td></tr>
<tr><td>CPF</td><td colspan="3">B G Boggars, SNEF</td><td colspan="3">Tan Peng Boo, SNEF</td></tr>
<tr><td>CPF</td><td colspan="3"></td><td colspan="3">Stephen Lee, Great Malaysian Textile</td></tr>
</table>

Source: compiled by author from SNEF *Annual Reports*, 1980-1985.

Another prominent symbolic role for the SNEF included representing employers at the ASEAN Confederation of Employers (ACE) (SNEF *Annual Report*, 1980-1985). Moreover, the SNEF was active in national social committees, including the Singapore Detainees Aftercare Society (focusing on preparing ex-convicts for life after prison); the

Vocational and Industrial Training Board (focusing on providing Singapore with skilled workers through apprenticeship and industrial attachment programs); the Science Council of Singapore (a central agency for industrial and business orientation programs), and the Singapore Council of Woman's organisations (focusing on women's welfare).

There are two important implications here. First, these external roles could be construed as being a strong signal of the government's acceptance of the SNEF as the leading national employers' association, as well as its 'rightful place' within Singapore's corporatist framework. Second, the SNEF Council's involvement in the range of social and government committees, tripartite committees and key statutory boards, was central in providing the SNEF with a platform to work with other key corporatist partners, social and business interests groups, and importantly the PAP's influential technocrats. The participants involved secured opportunities to develop and embed themselves in formal and informal influence networks as part of the government's wider external consensus-seeking mechanisms.

Returning to labour policy, the SNEF also actively represented employers' views on a number of key labour-related issues. A main government theme was emphasising a *New-style NWC*. Here the government called for the SNEF and the NTUC to take on bigger roles within the NWC. The SNEF then had to respond to the PAP's choice to foster enterprise unions and decentralise collective bargaining to the enterprise-level (SNEF, 1981). The Federation carried employers' concerns over NWC's high wage policies to government (SNEF, *Annual Report*, Various Years). There were also the problems associated with an increasingly ageing population (SNEF, 1982; 1984). In 1984, the SNEF represented employers on Health Minister, Howe Yoon Chong's Committee on the problems of the aged. Here, employers were primarily

concerned with rising healthcare costs and associated costs in retention of older workers, all of which add to the costs of doing business.

Finally, there were challenges linking mainstream industrial relations and broader social policy. These included multiple proposals that the SNEF made to government to amend the *Employment Act,* to better adapt the law according to employers' views on contemporary labour-market conditions (SNEF *Annual Report,* 1981-1985) and, direct electronic payment of employees aimed at "minimising cash transactions for manpower savings" (SNEF, 1984: 11).

In sum, the corporatist role of the SNEF, through its provision of collective goods, emerged as central in the operations of the organisation, enabling it to extend influence through formal and informal means. The following section explains the SNEF's response to two critical events, both precipitated by the PAP action.

5.4.2 Responding to Critical Events

(a) The PAP's Policy of Emulation of Japanese Industrial Relations Model

Of particular importance during this period was the PAP decision that Singapore's industrial relations should emulate its image of the Japanese model (Quah, 1984). As Barr (2000b: 485) describes it, from 1979, Singapore was a hive of activity involved in getting Singaporeans to learn Japanese systems,

> Over the next few years Singapore was awash with Japanese advisors and the examples of Japanese experience. The range of subjects in the syllabus was impressive: quality control, productivity, schools, adult education, work ethics, standards of service in shops, and even birth control, marriage practices and how to entice married women into the workforce.

Despite all this activity dedicated to the "learn from the Japanese" campaign, it become obvious, as Thang and Gan (2003: 97) argue, that "the idea to adopt the three pillars of Japanese management system [lifelong employment, seniority-based wage systems and, enterprise unionism] in Singapore was unfeasible". Instead, Singapore

succeeded in emulating selective significant features from Japan, namely, enterprise unionism and Quality Control Circles (QCC) (Gill and Wong, 1998). These were important to the success of the PAP-orchestrated second industrial revolution because they addressed fundamental flaws in Singapore's labour market, including the need for better work ethos and flexibility. But how did this affect the SNEF and employers in Singapore?

The proliferation of enterprise unions in Singapore from the early 1980s had important implications. In contrast to industrial unions, enterprise unions are only able to negotiate with employers at enterprise/plant-level. Thus, these unions tend to tailor collective bargaining agreements to suit the company's specific economic situation prioritising micro- over macro-economic concerns (Kuruvilla and Erickson, 2002). This was consistent with the PAP economic policy and the NWC's incomes policy at the time: to inject flexibility into the implementation of NWC wage guidelines. There was also a political consideration from the PAP's perspective. As suggested by Barr (2002) and Seah (1981), shifting towards enterprise unionism limited the risk of the concentration of power in the hands of a single labour union leader, as had occurred in the case of NTUC ex-President, Phey Yew Kok.

Furthermore, in a concerted effort to adopt useful aspects of the Japanese model, public sector, government-linked corporations (GLCs), and foreign-based MNCs, took the lead in introducing Quality Control Circles, sometimes termed Work Improvement Teams (WITs) (Gill and Wong, 1998). The most significant outcome of this exercise was the emergence of the government-initiated *Productivity Movement* in Singapore (Thang and Gan, 2003; Wong, 20 November 1984).

The leadership of the SNEF welcomed the PAP's move to emulate Japanese industrial relations, as they saw it as beneficial to employers in many ways. First, the

SNEF and employers believed that encouraging Singapore workers to emulate the Japanese work ethos could lead to productivity increases. Further, encouraging a 'Japanese' influence could trigger productivity increases through initiatives, including multi-skill training and promoting flexible work attitudes that enable flexible deployment of multi-skilled labour where it was most needed. For employers, these offered the welcome potential to effectively offset the burden of high wage increases, emanating from the launch of the PAP's economic policy. Equally welcome was that Singapore workers, like their Japanese counterparts, were taking pride in their work and pledging loyalty to their firm, thereby reducing the problem of job-hopping (Teo, 22 October 1997).

A second issue centres on shaping collective agreements. For employers, adoption of the Japanese model, particularly enterprise unionism and enterprise bargaining, offered the promise of collective agreements being better tailored for individual workplaces and allowed management greater operational flexibility. In turn, this would provide more employers with the flexibility to adopt NWC's wage recommendations through tailoring operations directed at increasing their capacity to pay remuneration packages. Enterprise agreements would encourage more wide-spread acceptance of NWC's recommendations and further legitimacy for Singapore's tripartite corporatist system.

Thus, it was not surprising that the SNEF played an active role in promoting this movement during the early 1980s. Examples of the SNEF's active involvement were numerous. In 1980, the SNEF and the Japan Overseas Enterprises Association (JOEA), jointly organised a one-day seminar on "The Effective Management of Human Resources for Increasing Productivity – the Japanese Experience". The SNEF's purpose here was to allow its members to exchange views with their Japanese counterparts from

the JOEA on Japanese, Western and local management systems and styles (SNEF, 1980). In turn, this seminar contributed its part in the SNEF's overall effort to create impetus for the Japanisation campaign.

In its *Annual Report 1982*, SNEF President, Jack Chia, further committed the association to increase the number of programs assisting members to better manage their workforce. These programs went beyond adaptation to the PAP's Japanisation strategy to include these topics of 'cutting edge' theory and practice in the context of newly emerging theories of human resource management (HRM) during a period when traditional personnel management and seniority-based wage systems were still widely practised. The SNEF organised local seminars and study missions to leading industrialised countries, including Japan, to examine specific areas of importance which would enhance productivity in the workplace. Topics included: productivity measurement, systems of reward based on performance, performance appraisal, information sharing and communication, in-company training and development, as well as enterprise unions (SNEF, 1982). In fact, there were both areas of alignment and contradiction between the new HRM and traditional Japanese IR practices.

More examples of the active role of SNEF in this movement appeared in 1982. The SNEF's industrial relations advisor, Francis Wee, attended a "Japanese Technical Co-operation Programme in Labour Management Relations and Productivity (House Unions)" in Japan with the objective of disseminating advice to the SNEF members on forming enterprise unions at their workplaces. As well, in late 1982, the SNEF organised a study mission to Japan to learn how Japanese companies managed in-company training and development. It then organised a post-study mission seminar to share the mission's findings and recommendations with members.

By the mid-1980s, the SNEF's involvement in the movement of 'learning from the Japanese also took a different focus. By this time, the implications of Singapore's ageing population, coupled with the government's 'excessive' success in its 1970's campaign to curb population growth, had caught the eye of the policy-makers (Jayakumar, 24 September 1984).

In 1984, the PAP government asked the then Minister for Health, Howe Yoon Chong and his committee, to look into the problems of the aged. One particular recommendation was the raising of CPF withdrawal age from 55 to 60 years, and then eventually to 65 years (see MOH, 1984). The immediate focus of the PAP's leadership was on retention of older workers as part of the solution to the current tight labour-market situation, rather than any longer-term impact of ageing.

In response, the SNEF organised a study mission to Japan in 1984, on issues involving the employment of older workers and retirees. These included raising the retirement age, preparing older workers for retirement, payment systems for older workers, the arrangement of different work patterns and work methods for older workers, and optimising performance and productivity of older workers (SNEF, 1984). For the SNEF and its members, this particular problem could have unintended consequences, reaching beyond Singapore's demographic problem. First, extending the retirement age could increase labour costs covering wages and CPF payments, particularly for companies practising seniority-based wage systems. As well, extending the retirement age increased the employers' burden of medical costs, retirement costs and potential retrenchment costs. The latter two were based on years of service. Thus, consistent with the SNEF participation in the NWC, employers made sure their representative voice was heard in the tripartite committee on *Problems of the Aged* to avert any solutions leading to higher labour costs.

Overall, the PAP continued to exert considerable influence over Singapore's corporatist framework. The SNEF's 'learning from the Japanese' activities indicated that, in participating, the Federation did not solely or entirely accommodate the PAP preferences. Rather, alongside its expected engagement in corporatist bodies, the SNEF remained focused on the priority of serving the collective interests of its members.

(b) High Wage Policies and the Threat to Competition

The SNEF Council maintained its predecessor's – the SEF's – disquiet over PAP's unilateral move to promote high wage policies from 1979. However, rather than engaging in futile attempts to reverse this policy, it turned its attention to constructively accommodating the policy. During this period, the SNEF's representatives within the NWC continued to play a crucial role in Singapore's central wage coordination (see Table 5.5).

Table 5.5: Summary of the NWC Wage Guidelines, 1980-1986

Year	NWC Wage Guidelines	*Gross Av. Annual Earnings		GDP Growth (%)	External Context
		S$	Growth Rate (%)		
1980	1st Tier: $33 + 7.5% (full offsetting of all forms of increases on group basis) 2nd Tier: Additional 3% of the group monthly wage bill of June 1980 to be distributed to only above average employees	845	14.9	9.7	
1981	1st Tier: $32 + 6%-10% (full offsetting of all forms of increases on group basis) 2nd Tier: Additional 2% of the group monthly wage bill of June 1981 to be distributed to only above average employees	964	14.1	9.7	
1982	$18.50 + 2.5%-6.5% (full offsetting of all forms of increases on group basis)	1119	16.1	7.1	
1983	$10 + 2%-6% (full offsetting of all forms of increases on group basis)	1231	10.0	8.5	
1984	$27+ 4%-8% (full offsetting of all forms of increases on group basis)	1300	10.6	8.3	
1985	3%-7% (full offsetting of all forms of increases on group basis)	1414	8.8	-1.4	Singapore's First Post-Independent. Recession
1986	Wage Freeze, with a 15% point cut in employers' CPF contribution	1340	-5.3	2.1	

* Gross Average Monthly Earnings includes basic wage, plus both employees' and employers' Central Provident Fund superannuation contributions

Source: adapted by the author from Lim and Chew, 1998: 231-232.

In the early 1980s, the NWC introduced a 'two-tier wage increase' guideline that differentiated workers' remuneration to encourage worker productivity as a condition for a second tier wage increase. In relation to this, the SNEF provided valuable feedback to the NWC over implementation problems regarding the NWC's 1980 recommendations. For example, the SNEF voiced concerns regarding the excessive burden of higher wage costs, and a two percent SDF levy for upgrading of workers' skills. At the same time, the SNEF continued to highlight problems with high wage increases, warning that "some would likely perish with another high-wage increase expected for the 1981 wage year" (SNEF, 1980: 18). Furthermore, it implicitly warned that "NWC recommendations seem to have the effect of suppressing small employers and encouraging large, especially foreign employers" (SNEF, 1980: 18). It was a judicious SNEF reminder to the PAP government that SMEs were of significance to Singapore's economy, and their welfare should not be overlooked. It also indicated the SNEF's commitment to all sectors of its membership.

In 1981, the SNEF continued to provide valuable feedback regarding employers' implementation of the NWC's recommendations. An important implication of ignoring feedback, especially for non-mandatory NWC recommendations, was the possibility of widespread boycotts of the NWC recommendations. This would render the NWC irrelevant and its incomes policy ineffective. In addition, the SNEF further enlarged its roles within policymaking in and around the NWC by initiating an *NWC Impact Survey*. The latter was valuable as it enabled the NWC to gauge the success of its recommendations in the private sector.

In 1982, the government called for a "new-style NWC" that included reducing its role within the Council, thereby allowing more direct wage negotiation between unions and employers outside the NWC. As well, the government called for the NWC to

produce wage guidelines on a sectoral rather than national basis (Ong, 28 October 1982). These policy approaches were consistent with the PAP's general move towards promoting enterprise unionism and a more flexible labour market. Employers, however continued to press for policies consistent with their interests, albeit with a degree of state support or even protection. For example they preferred that any direct wage negotiations take place after the announcement of the NWC recommendations, permitting them to more easily resist union demands. They also called for annual wage increases to only be negotiated once a year, providing more cost flexibility. Furthermore, the SNEF emphasised that employers should have the autonomy to decide how they wanted to negotiate collective agreements, whether at an industry level or company group or individual firm level.

In the three years prior to the 1985 recession, the SNEF continued to play an important active role through conducting *The NWC Impact Survey*. At the same time, the Federation consolidated its leading role by coordinating both the employers' position and strategies in regard to the NWC recommendations, and employers' activities around discussion of the NWC more generally (see SNEF, 1983 and 1984).

Overall, the SNEF remained focused on constructive accommodation with the tripartite system. It developed ways of 'softening' the impact of the NWC's high wage costs on behalf of all employers, and in so doing established a niche in collating employers' feedback and using it to lobby for employers' interests. Once again, this was consistent with its strategic intent. To analyse the SNEF's strategy further, the author applied the Sheldon and Thornthwaite's model.

Section 5.1 discussed the four sets of external pressures mentioned in the model (see Figure 5.7). Under the first set of external pressures: "environmental influences", this chapter clearly identifies the main economic challenges employers faced, namely,

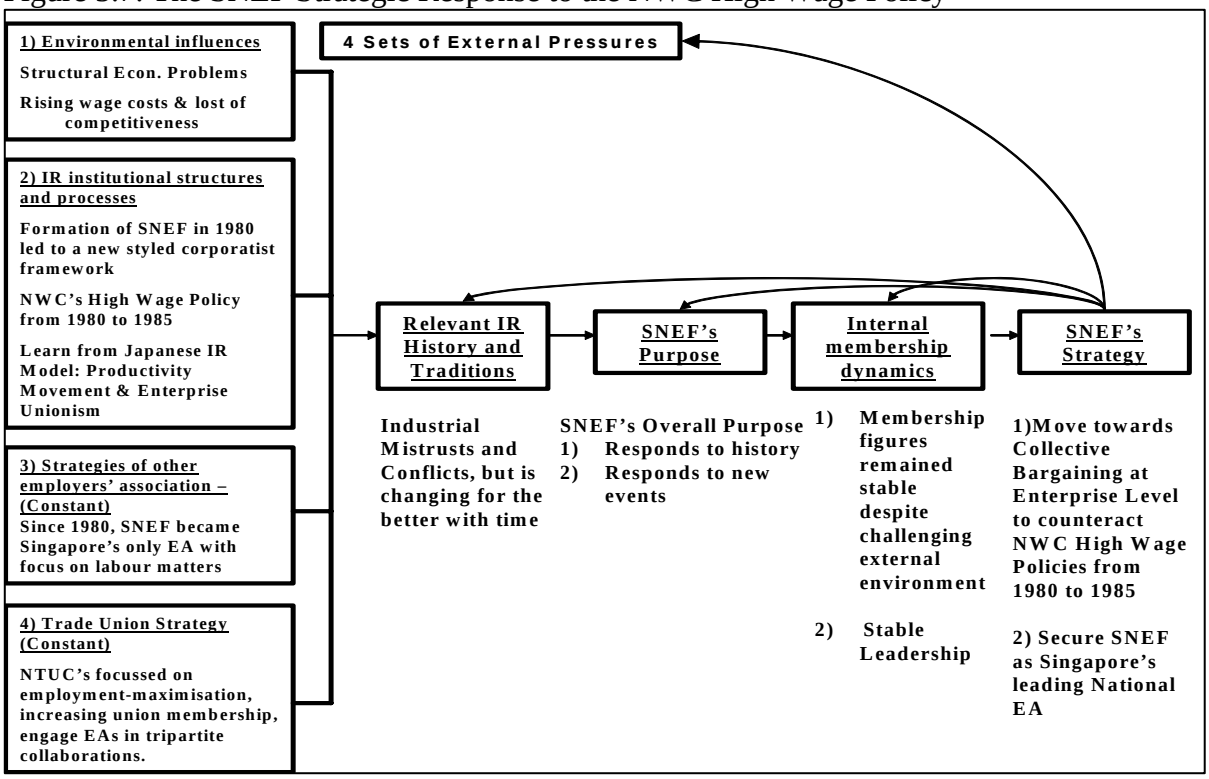
structural economic problems, coupled with rising wage costs, and loss of competitiveness. From the SNEF's perspective, this challenging external environment presented it with challenges and difficulties, as well as opportunities. During this period, three critical events (discussed in Section 5.1) affected the second factor: "industrial relations institutional structures and processes". The PAP had planned these events to facilitate the success of its second industrial revolution.

The third factor: "strategies of other employers' associations", was significantly diminished. Indeed, the government inspired amalgamation of associations to form SNEF rendered other associations to a negligible role. The SNEF soon became Singapore's leading national employers' association resulting in no other employers' association retaining any specific focus on labour-related matters. From the SNEF's perspective, the fourth factor: "Trade Union Strategy", remained constant under the PAP government's new-style corporatist framework. The SNEF worked in a collaborative manner with the NTUC in multiple tripartite forums, with no evidence of conflicts between these two corporatist partners.

Thus, of these four external pressures, we can assume that only the first two – environmental and IR institutional factors – might have triggered some strategic changes for the SNEF during this period. This then raises a question as to whether and how SNEF's internal dynamics may have responded to these external pressures through the two lenses of "relevant industrial relations history and traditions" and "SNEF's purposes". It has been seen that the SNEF's experience during this period was one of collaboration and engagement within the corporatist framework, a view which is consistent with other authors (see Anantaraman, 1990; Chew and Chew, 1995a; Leggett, 2007; also SNEF *Annual Report*, 1980 – 1986). Furthermore, as section 5.3

demonstrates, the internal dynamics of the SNEF remained stable, reflecting the stability within its leadership.

Figure 5.7: The SNEF Strategic Response to the NWC High Wage Policy



Source: author analysis.

In summary, the SNEF's strategic choice in response to the NWC's high wage policy, needs to be analysed through the dual lens of "relevant IR traditions/history" and "SNEF purposes". From the SNEF's perspective, the industrial mistrust and conflicts of the previous decades would be replaced as the new-style corporatist framework established its influence. An increasing number of tripartite committees provided the corporatist partners – and particularly the 'unified' employer representation through the SNEF – with more opportunities to work and collaborate with each other. Over time, this succeeded in providing the platform for improvements in labour-management relations (LMR). As well, where the SNEF's purpose was generally to respond to history and new events, the absence of acrimonious LMR during this period meant its efforts could focus more on counteracting economic challenges, rather than on industrial

relations. Furthermore, in the context of a stable internal dynamics and effective leadership, the SNEF's strategic response to the challenge of high wages was two-pronged. First, it favoured the move towards decentralising collective bargaining at enterprise/group level, albeit under the umbrella of NWC guidelines. This allowed companies to negotiate with some flexibility to follow the NWC wage guidelines according to their capacity to pay the workers. Second, the SNEF Council was able to create opportunities in the midst of this challenge to reinforce its status as Singapore's leading national employers' association.

5.4.3 The SNEF: Its Environment and its Members: Collective, Selective and Elective Goods

The popular view in Singapore and abroad saw the SNEF performing a limited collective role. This was largely due to the 'sanitised' image of Singaporean industrial relations in the absence of industrial actions since 1978, and the PAP government's consistent pro-investment policies over time. A veteran Singapore's *Straits Times* IR reporter, Chia Sue-Ann, illustrates this view: "I see it [SNEF] more as an association rather than a trade union" (Interview: Chia, February 2007). In a review of labour relations in Singapore from 1970 to 1989 Ariff (1993) even went to the extreme of purporting that, "employers – SNEF and the chambers [of commerce] – have really had no clear forward roles in the labour relations scene as the pivotal role has been sort of hijacked by government and the trade unions" (Ariff, 1993: 363). The analysis above shows that this was not the case. The SNEF's corporatist obligations, through its provision of collective goods, were an integral part of the SNEF's overall purpose (see Figure 5.7, also Section 5.4.1 and Section 5.4.2 above). Specifically, from the PAP's perspective, the employers' role through the SNEF, in the adapted corporatist framework, was the central reason for its formation in 1980 (see Section 5.2). Thus, this

thesis calls into question the long-underlying and flawed basic assumption concerning the SNEF's limited collective role.

Singapore's employers also had a range of labour-related needs that the SNEF sought to address through its selective goods. As was true for employers' associations in other countries, one of the most valued selective goods that the SNEF began providing to members from its inception, was valuable and accurate advice and information (Interview: Hou, February 2007). This was best provided through actively participating in the 'new-style' arrangement. Moreover, in responding to member enthusiasm for this service, the SNEF's secretariat provided three channels of access: First, secretariat's staff – IR advisors, the Safety Promotion Officer and the Productivity Officer – provided free advice in person and/or by telephone on safety, health, IR, HR, productivity, interpretations of labour legalisations and other labour-related issues. Second, the Secretariat organised multiple briefings and information sessions to update members on the latest labour-related policies and legislation. An example was the yearly briefing on *NWC Recommendations*. Third, the SNEF's library service provided relevant IR/HR-related information. As well, recognising that networking was an important aspect of conducting business, the SNEF provided members with networking opportunities with other Employers' Associations (both local and overseas), and introduced new programs designed to help members better manage their workforce such as organising local seminars and study missions to leading industrialised countries.

In addition, the SNEF also provided limited elective services that it made available at different rates to members and non-members. In mid-1984, the SNEF launched a training centre with the objective to coordinate and provide labour-management relations training for managers and supervisors. The Training Centre conducted a series of key programs on a regular basis that assisted members in

improving productivity and labour-management relations. Subjects for training included: productivity measurement; systems of reward based on performance; performance appraisal; information-sharing and communication; in-company training and development; house unions, and orientation programs for new foreign managers (SNEF, *Annual Report*, 1983 – 1986). These training programs provided an alternative regular flow of income, albeit limited. Crucially, the SNEF was able to put to good use its accumulated knowledge and experience from its corporatist activities by putting them into relevant training programs. As well, these programs complement the pro-employers' activities that the SNEF sought to promote. Furthermore, the SNEF's *Research Division* conducted regular surveys – on wages and salaries, fringe benefits, part-time work, labour management relations and productivity – sold to the public and members. Apart from some additional income it provided for the SNEF, these publications also provided valuable HR- and IR-related information that have very limited alternative sources in Singapore.

In summary, the SNEF's activities in its early years focused on its role within corporatist institutions and the wider economic, political and social policy frameworks promoting social harmony together with economic development. The SNEF's external activities provided an explicit contribution to fostering the PAP's approach to harmonious labour-management relations and influencing employers on the 'right way' to manage employees. It would appear, then, that the SNEF Council, comprising leading managers elected from leading companies, was effective. Indeed, a strength of the SNEF's effectiveness from its foundation stemmed from the capacity of its leadership in facing the perennial challenges common to all employers' associations.

5.5 Summary and Conclusion

When Seah (1981: 253) described 1980 as a "watershed year" in which the PAP moved from "system creation to system maintenance and adaptation", he cogently

summarised this third distinct period of Singapore's industrial relations history and development. Indeed, while the PAP had created a successful system for governing Singapore over the previous two periods, it still needed to adapt to changes in Singapore's environment over time. The most significant change during this period was the intensification of regional and global economic competition. Thus, given the PAP's ongoing goal to build Singapore's long term viability, it was no longer sufficient to foster economic growth through low value-added activities and achieving full employment via labour-intensive FDI. The PAP required new strategies. Through the second industrialisation phase, Singapore continued to attract the appropriate kind of FDI that could sustain its economic growth in the longer term. More importantly for this thesis, the PAP's new strategies resulted in the formation of the SNEF.

In the conspicuous absence of acrimonious labour management relations (LMR) during the SNEF's early years, there is no evidence of internal power struggles. So, the industrial and economic stability in the external environment was an important contributor to the collaborative spirit within the new association. Also important was the enduring contribution of SNEF's early leaders in having developed internal consensus-seeking mechanisms. The central role of the leaders enabled the Council to seek feedback from members and develop consensus, before making decisions. The decision-making processes and the cultural norms they embodied facilitated internal harmony, at the same time providing legitimacy for the Council's decisions. Stable and effective leadership was crucial to the SNEF's stable and consensual internal dynamics.

The pre-emptive, engaged, and collaborative nature of the SNEF allowed its leadership to present it as a forward-looking organisation with effective and stable leadership. SNEF's 1982 *Annual Report* clearly established that it had chosen "a preventive" instead of a "fire-fighting" approach (SNEF, 1982: 2). As well, rather than

work against the government and the labour movement, SNEF sought constructive measures to help members cope with the three external challenges during this period. This was once again consistent with SNEF's strategic intent, encompassing developing its role within Singapore's adapted corporatist framework.

The PAP's new-styled corporatist framework generated a range of representative challenges for the SNEF. As with the SEF before it, the new Federation and its leaders recognised that lobbying against the PAP's unilateral high-wage policies would be futile, even counter-productive. Instead, the SNEF's challenge was helping employers cope with high wage costs. As well, the PAP's 'Japanisation' policy provided the SNEF's leadership opportunities to inculcate Japanese work ethos into Singaporean workers, thereby increasing productivity at workplaces.

Indeed, the Japanisation initiative marked the *first consistent initiative* of the PAP government to actively manage features of *firm level* labour utilisation and behaviour, as part of its broad LMR policy for Singapore, embedded in the new-style NWC. The new orientation of Singapore's corporatism was composed of two complementary elements – *unifying* the macro level institution, through single representation of the partners – especially the employers' associations, in the form of the SNEF. Second, a re-focus on *developing and implementing* NWC decisions to improve firm level performance, in part through the Japanisation catch-cry. In short, the NWC role up to 1980 was important in setting high profile, but non-mandatory, guidelines. After 1980, in a more decentralised role, the NWC acquired greater power. In this change, the role of the SNEF widened, dealing with implementation through its members and participating in wider social and labour market issues. For example, in promoting flexibility it contributed to discussion of other labour market issues such as the ageing of the population and decentralised collective bargaining.

From this, the SNEF's leadership was able to use its accumulated experience from its collective role to expand on both its selective and elective services, mainly through the provision of information and training. Throughout this period then, the SNEF actively expanded and deepened its provision of collective, selective, and limited elective services. This, coupled with stable and effective leadership, helped stabilise the SNEF's membership numbers in a difficult environment when some of its members went out of business or relocated abroad. These factors suggest that the SNEF's leadership was well able to manage its internal dynamics and external roles.

Finally, this period also directs attention to perhaps the salient feature of Singapore's corporatist framework – its 'Big G' Factor – where the PAP exhibited a dominating influence over the key institutional industrial relations practitioners' strategic choices and behaviours. The PAP clearly set the 'out of bounds' (OB) marker – a term commonly used in golf and public policy circles in Singapore – where in the context of Singapore's politics, it defined the 'invisible' or unspoken rules about the boundaries of acceptable political discourse (Chong, 2006; Chua, 1995; Trocki, 2006; Vasil, 1984; Worthington, 2003) – in the name of 'national interests above self'. A central illustrative case was PAP's insistence on pursuing a high wage policy despite consistent SNEF 'feedback' and 'concerns'.

The next chapter turn to the fourth distinct period of Singapore's industrial relations development. During this period – from the end of the 1985 recession until the sudden arrival of the East Asian Financial crisis in 1997 – the PAP and its corporatist framework continued to play an active role in preparing Singaporean workers and employers for more-intensive external economic challenges. The SNEF had a crucial role in this, as its founders had intended in 1980.

CHAPTER 6

THE SNEF IN THE DECADE OF GROWTH

1987-1997

6.1 Introduction

This chapter focuses on the SNEF's activities which marked an intermediate phase for the Singaporean system. Here, we analyse the development of the SNEF as an organisation through examination of various aspects of its internal dynamics. Attention then shifts to its external roles. Once again, the organisation of this chapter separates the SNEF's engagement in ongoing corporatist institutions and processes from its responses to critical events. A particular focus here is the far-reaching implications of the SNEF's active role in the promotion of the more flexible wage system and handling the ageing workforce crisis.

The ensuing section commences with an overview of key features of the decade. It then describes the implementation and implications of Singapore's new flexible wage system – a planned critical event for the SNEF that developed and emerged as part of the PAP's ongoing strategic program, seeking both economic growth and continuing social stability. The chapter further provides important contextual background of an unplanned critical event exogenous to Singapore's corporatist framework and the PAP government planning – the East Asian Financial Crisis.

6.2 The Context: Key Features

This was a period of uninterrupted high growth in Singapore. Between 1987 and 1997, average annual GDP growth was 9.2 percent but importantly, average inflation remained manageable at 2.2 percent per annum (see Table 6.1 and Appendix 1). Singapore was part of the 'East Asian Miracle' (Ito and Weinstein, 1996; Page, 1994; Ranis, 1995; Stiglitz, 1996), one of four founding high-growth 'Asian Tiger' economies

which were brought forth by the export-orientated industrialisation policies of the Asia's newly industrialized economies (NIEs). For Singapore, politically, as well as in its industrial relations, – with exception in 1987 (see Lee, 1988 for the 'The Cheang Wan Affair' and 'The Marxist Conspiracy') – the picture remained stable and propitious. Even so, this was a decade of growth under a different set of circumstances.

The decade 1987-1997 provided a welcome period of economic stability for the central parties in the Singaporean corporatist framework. Stability brought opportunities for consolidation, as exemplified by the planned introduction of a flexible wage system following the 1985 recession. Through these developments, the PAP government aimed to make Singapore's open economy less vulnerable to external shocks. After two industrial revolutions, the momentum of Singapore's industrialisation approached maturity during the latter part of the 1990s. This meant that continuing high economic growth could no longer be taken for granted. At the same time, in the context of Singapore's fast-changing demographic profile, the PAP leadership began to focus on the long-term issue of the declining birth rate and the ageing population. For employers and their associations, the ageing of the workforce had long term implications.

In 1990, after 31 years at the helm of government, Lee Kuan Yew handed over the prime ministership to Goh Chok Tong (Kim, 1991; 1992; Vasil, 2000). After this, Singapore's corporatist framework witnessed two other peaceful leadership transitions: Stephen Lee succeeded Jack Chia as the SNEF President in 1988, and Lim Boon Heng succeeded Ong Teng Cheong as the NTUC Secretary-General in 1993.

Externally, governments in many countries embarked on a new wave of privatisation and economic deregulation. The latter included attacking the legitimacy of trade unions and an attempt to weaken the unions' capacity to organise and represent employees. Leading figures of these trends included the Reagan administration in the

USA, the Thatcher government in the UK, and, from 1996, the conservative government of John Howard in Australia (Bennett, 1999; Deery and Mitchell eds., 1999; Dobek, 2006; Moon, 2005; Taylor, 1995). As well, the global phenomenon of the World Wide Web (www) proliferated in the early 1990s, greatly intensifying the wide-spread usage of informational communication technologies (ICT).

The research literature on Singapore's industrial relations views this period as a golden decade of growth. In Singapore, the period also saw instances of partial privatisation, such as Singapore Telecom and Neptune Orient Lines (Paix, 1993). The PAP government effectively maintained control through its investment arm, Temasek Holdings. As Paix (2003: 195) observes, "the partial privatisation of the public sector does not mean that the state is withdrawing from the economy"; on the contrary, "state-controlled enterprises will continue to be strong and are indeed reasserting themselves as leaders and key players in the reorientation of the economy". The situation to industrial relations was somewhat similar, although different scholars explain its institutional dynamics in diverse ways. Chew and Chew (1995a: 37) see it as the "pluralist" period, primarily denoting the rise of tripartite activities involving the NTUC, the SNEF and the Government. Leggett (2007: 650) describes this period as an extension of the "third transformation", where the newly transformed corporatist paternalism dominated in implementing PAP's labour and economic-related policies. In a broad view of Singaporean IR development, Leggett terms this period as "industrial relations interregnum" – lacking significant events that might warrant marking a fourth transformation in the nation's industrial relations (Leggett, 2007: 652).

6.3 The Implementation of the Flexible Wage System

The 1985 recession hastened the pace of economic reform in Singapore. The PAP government formed a high-level Economic Review Committee (ERC) chaired by

Singapore's then Minister of State in the Ministry of Trade and Industry (MTI) and Ministry of Defence, Lee Hsien Loong. The ERC's key finding – that Singapore had lost international economic competitiveness – perhaps not surprisingly served to re-affirm, in retrospect, the thrust of PAP's initiative to restructure Singapore's economy through the second industrial revolution (MTI, 1986: 37). As the ERC Report argued,

> The Singapore economy is in a serious recession … The reasons for this are: (a) The structural problems confronting several of our key industries, particularly in the oil- and marine-related sectors; (b) The loss of international competitiveness and the severe squeeze on profitability of companies in Singapore … mainly … the result of labour cost increases unmatched by productivity growth; (c) The weakness in domestic demand, caused not only by the slump in construction, but also by a continued high rate of national savings that cannot be channelled into productive domestic investments. [ref MTI 1986: 37]

To expedite economic recovery, the ERC recommended a three-pronged approach to "(a) reduce operating costs, and improve the profitability, (b) reduce the size of fiscal surpluses and shift savings to the private sector, (c) encourage continued domestic capital formation in productive sectors" (MTI, 1986: 51). The Committee placed particular emphasis on changing the structures, processes and outcomes of wage formation. From the SNEF's perspective, this was a major opportunity to be actively involved in reducing the employers' costs of doing business in Singapore, in particular, through reducing operating/wage costs as well as broader wage reform.

The ERC recommendations on wage costs included a number of linked measures. First, a call for a reversal of NWC's high wage incomes policy, specifically, that there would be no overall NWC wage increases for 1986 and 1987. Second, the call for both unionised and non-unionised companies to renegotiate their collective agreements or individual terms of employment so as to reduce the pressure of wage costs. Third, to further reduce wage costs, ERC called on the NWC to recommend a reduction in employers' CPF contributions from 25 percent to ten percent, the removal

of the two percent payroll tax, and a reduction in levels of employer contributions to the SDF from four percent to one percent of basic wage levels (MTI, 1986; Lim and Chew, 1998). Overall, the ERC addressed the wages system, recommending changes in two important areas: where companies shift from seniority-based to more flexible performance-based wage systems. Additionally, that future wage rises rest on the principle that productivity rises must precede wage rises.

As Singapore's central wage-setting authority, the NWC, played a critical role in implementing the ERC recommendations. NWC wage guidelines – from 1986 to 1997 – took careful considerations of contemporary economic data (see Table 6.1 below; also Lim and Chew, 1998). The additional columns provide better contextual understanding for the Council's guidelines. In particular, relevant information regarding Singapore's GDP growth, gross annual wages growth rates as well as the contemporary external economic climate; provide a macro-economic overview of the factors influencing NWC recommendations. At the same time, these processes were also a test for Singapore's corporatist framework, particularly the partners' working relationships, and the institution's consensus-seeking mechanisms (Interviews: Lee, February 2007; Lim, January 2007; Ong, January 2007). The important implications of this observation appear later in this chapter.

The remainder of this section turns to a number of important factors which indicate pressures and changes in Singapore's IR framework that affected wages. They include questions regarding the consistency in execution of PAP's policies; shifts in NWC wage guidelines from quantitative to qualitative; the move to decentralised collective bargaining; the principle of wage increases to follow productivity growth, and the effect of the early 1990s global recession on NWC recommendations.

Table 6.1: Summary of NWC Wage Guidelines, 1986-1997

Year	NWC Wage Guidelines	Gross Av. Annual Earnings		GDP Growth (%)	External Context
		*S$	Growth Rate (%)		
1986	Wage Freeze + 15% point cut in employers' CPF contribution	1340	-5.3	2.1	
1987	Wage restraint/Cut, a reduction of 1984 NWC wage increase by 30%	1294	-3.4	9.8	
1988	Moderate wage increase in 2 parts: basic wage & variable bonus. Account increase in employers' CPF rate and reduction in employees' CPF.	1413	9.2	11.5	
1989	Moderate wage increase - 2 parts: basic wage & variable bonus. Account of increase in employers' CPF rate.	1587	12.3	10.0	
1990	Basic wage increase not exceeding productivity growth + a generous variable bonus, depending on company profitability and performance. Account of increase in employer's CPF rate.	1769	11.5	9.2	Global Recession (1990-93)
1991	Basic wage increase not exceeding productivity growth + variable bonus smaller than in 1990, depending on company profitability and performance. Account of increase in employer's CPF rate.	1953	10.4	6.6	
1992	Basic wage increase not exceeding productivity growth + moderate variable bonus in line with expected slower economic growth, depending on company profitability and performance. Account of increase in employer's CPF rate.	2124	8.8	6.3	
1993	Basic wage increase not exceeding productivity growth + variable bonus payment which should reflect company performance; companies which have done exceptionally well paying special bonuses.	2268	6.8	11.7	
1994		2488	9.7	11.6	
1995	Total wage increase reflecting the performance of the economy; built-in wage increase lagging behind productivity growth, as much as possible of this increase being paid in the form of a variable payment, should closely reflect company performance; companies which have done exceptionally well paying a one-off special bonus.	2663	7.0	8.2	
1996		2822	6.0	7.8	
1997		na	na	8.3	Asian Financial Crisis (July 1997 to end of 1998)

* Gross Average Monthly Earnings includes basic wage, plus both employees' and employers' Central Provident Fund superannuation contributions

Source: compiled by author from Ministry of Manpower and Singapore; Department of Statistics, 1986-1997.

The chapter then briefly turns to a long developing issue affecting labour policy – population ageing – and a critical regional event – the 1997 East Asian Crisis – to draw key inferences and challenges for Singapore's industrial relations and employers.

(1) Consistency in the Execution of the PAP Policies

New NWC wage recommendations exactly followed guidelines in the ERC report. This high consistency in the implementation of PAP-orchestrated policies should not be undervalued. It revealed the strength and effectiveness of the Singaporean variant of corporatism in facilitating the smooth implementation of top-down policies to the grassroots level (Ariff and Yaw, 1995; Coe and Kelly, 2002; Worthington, 2003; Yuen, 1997). In this instance, the employers did not see any conflict with their interests. But, and as previous chapters revealed, employers and employers' associations would only support PAP policies compatible with sensible business outcomes. If not, they would work within the system to address relevant issues and reach a resolution by consensus.

In addition, the new NWC recommendations were important to PAP's leaders as well as the corporatist partners as their common objective was to make Singapore's open economy less susceptible to external shocks. This was another important factor which could boost Lee Hsien Loong's political career. Thus, measures to cushion the effects of these shocks could ill-afford delays from poor policy implementation. The SNEF President, Stephen Lee, identified three key ingredients in Singapore's corporatist strategic response during an economic crisis: first, the need for speedy adjustment and flexibility in the labour market including the ERC's call for flexible enterprise bargaining where required; second, decisive (top-down) leadership and finally, close collaboration across three key corporatist partners. He stated that,

> Singapore is very susceptible to external shocks. When we are good, our GDP can shoot from -2% to +8%…The best system for a small and open economy is that your system must be more flexible than anybody else's in order for you to survive…And by working together to solve problems…Because when we are faced with a sharp downturn, we face a bigger problem [relative to a bigger country], but we have a strong leadership and because of this strong leadership, we are able to work out the right solution. (Interview: Lee, February2007).

(2) Shifts in the NWC Wage Guidelines from Quantitative to Qualitative

A central finding of the ERC's report established that there was little flexibility in the existing wage system to make quick wage adjustments in response to the rapidly changing business environment (MTI, 1986). In 1987 The NWC responded by shifting the basis of its wage guidelines from quantitative prescriptions to qualitative statements (Chew and Chew, 1995a). It is important to qualify that while the NWC recommendations after 1987 continued to contain quantitative elements, there was an obvious shift towards qualitative guidelines such as calling for moderate wage increase in 1988 (see Table 6.1). The shift from substantive to procedural principles in the NWC wage formation reflected the influence overseas market-based policies from countries such as the USA and UK, mentioned earlier (see Dunlop, 1958). The idea of the procedural basis is to enable flexibility in the implementation of the NWC wage recommendations, where flexibility would reflect an individual company's capacity to pay. Moreover, qualitative guidelines were to facilitate enterprise-level collective bargaining, in turn encouraging more widespread acceptance of THE NWC wage recommendations (Anantaraman, 1990; Lee, 29 June 1989; Lim and Chew, 1998).

The ERC's proposed flexible wage system entailed two main components: the Monthly Variable Component (MVC) and the Annual Variable Component (AVC). First, the yearly payment of the AVC provided employers with the flexibility to reward workers without affecting basic monthly wages. As well, for transparency and fairness, unions and managements could jointly identify key performance indicators (KPIs), then link these to the AVC. The idea was to motivate workers to increase their year-end bonus by meeting their KPIs. The ERC's recommended upper level for the AVC was 20 percent of annual basic wages for rank and file employees, with higher percentages available for executives and management (MTI, 1986).

The other component of the proposed flexible wage system was the MVC. The ERC recommended employers progressively build up the MVC component to reach ten percent of monthly basic salary. This would allow them the flexibility to quickly reduce wage costs by cutting the MVC during poor economic conditions, the assumption being that workers would rather suffer wage cuts than lose their jobs during economic downturns. As well, the notion of cutting the MVC, rather than directly reducing the disposable income from a worker's basic wage, would help soften the impact of wage cuts for workers and their families.

Furthermore, to complement the flexible wage system, the ERC report introduced the concept of a "salary maximum-minimum" ratio to better reflect the true value of each job (MTI, 1986). The goal was to provide a clear alternative to the well-entrenched seniority-based wage system in Singapore. By introducing a salary maximum-minimum ratio of 1.5 times or less, employees could not be paid more than 1.5 times the value of their job during the lifetime of their employment assuming the job's scope remained the same. For example, the monthly salary of a senior clerk at the clerical maximum pay scale would not exceed 1.5 times that of the junior clerk's pay. The ERC's rationale was that both clerks basically performed the same job, regardless of their seniority. By reducing the proportion of an employer's total wages bill that went to automatic seniority-base pay premiums, more wage funds were available for discretionary rewards, which simultaneously provided employers with more flexibility in responding to the business cycle.

(3) The rise of Decentralised Collective Bargaining

Singapore's bargaining structure continued to operate at various collective bargaining levels. However, with PAP's influence, the enterprise level continued to gain popularity over industry-wide bargaining (Chew and Chew, 1995a). Once again,

this met the PAP Government's preference for greater flexibility when negotiating terms of employment. Given that employers were gaining greater discretionary control over their wages bill, they could also offer more through enterprise-bargaining to meet their view of enterprise-based requirements. This did not necessarily mean that a completely disaggregated collective bargaining pattern emerged. Singapore is a small island state. Most senior IR policy makers and practitioners have a good working knowledge of each other, so informal processes tended to partially substitute for formal ones. The SNEF Executive Director, Koh Juan Kiat, explained that there were other ways for employers to synchronise industry-wide practices outside centralised collective bargaining, drawing attention to inherent informal patterns of peer pressure towards conformity among employers in the same sector,

> For example, if you want we bring you in, you attend our industry meetings. Let's say you go to the manufacturing sector meeting and you listen to how we try to get consensus, what everybody is doing and so on. Then you will be dragged into the collective movement and then you realised that you are a part of something. You shouldn't be doing something different (Interview: Koh, February 2007).

Once again, this highlights a number of salient features of the Singaporean variant of corporatism including: flexibility, pro-employer (pro-investment) policy, several levels of coordination, and consistency.

(4) The Principle of Wage Increases following Productivity Growth

Another important ERC recommendation was that the NWC base wage guidelines should incorporate the principle that proposed wage increases be linked to productivity growth already achieved. It was proposed as a universal principle applying to all wage increases. The recommendation also envisaged productivity gains rising faster than wage levels, and once again, the NWC quickly adopted this ERC recommendation. This approach became particularly obvious from 1990, as the economy grew strongly (Lee, 28 October, 1996; Mah, 14 June 1991).

(5) The Effect of the Early 1990s Global Recession on the NWC Recommendations

Despite Singapore's good economic performance during this period, NWC wage recommendations leaned towards the cautious side after 1986. There are several explanations for this. First, the humbling experience of Singapore's 1985 recession remained fresh in people's minds. Second, the NWC recognised that, as Singapore's economy matured, the challenges in achieving high growth became greater and high growth could no longer be taken for granted. Furthermore, this period coincided with a prolonged period of stagflation in Singapore's major trading partner, Japan – the world's second largest economy. Moreover, the United States, Singapore's other major trading partner, was also faced with a recession during the early 1990s. While local economic factors remained important, these factors encouraged the NWC to take a more global view in their recommendations. After all, Singapore's small open economy was closely linked to important patterns in the global economy.

In summary, it is clear that the ERC's recommendations to improve Singapore's economic competitiveness largely focused on restructuring the Singapore labour market to strengthen the hand and endorse the priorities of employers (Yeo, 10 July 1996). The chosen mechanism involved successful implementation of wage reforms and an employer-preferred flexible labour market. In this context, the NWC played a pivotal role, yet the ERC reforms left intact the central role of unionism within the Singaporean corporatist system. Trade unions suffered no attacks on their ability to organise or represent members, and the NTUC remained a central player in highest level policy-making. Singapore's array of employee welfare schemes – CPF (retirement), SDF (training), Medicare (healthcare) – remained intact and were even reinforced (Goh, 2 November 1996), as did union influence over them through tripartite representative institutions. In short, unlike sweeping pro-employer government policy initiatives in

many other Anglophone countries at this time, in the UK, USA, New Zealand and Australia, Singaporean unionism – as an institution – retained full legitimacy. Discussion of the SNEF's role in these events and trends appears later in this chapter.

6.4 The East Asian Financial Crisis, 1997

Singapore's high growth during the 1980s and 1990s coincided with similar trends among her East Asian neighbours. During this period, the four NIEs – Singapore, Taiwan, Hong Kong and South Korea – followed the successful example of the Japanese model and embarked on export-orientated industrialisation that sparked exceptional economic growth (Ozawa, 2005; Perkins, 1994; Suh and Seo, 1996). While the Asian crisis brought challenges to the region, it further draws out key factors in Singapore, important for the argument of this thesis.

Most East Asian economies achieved double-digit growth rates. This East Asian boom attracted heavy investment from Western economies, seeking low-cost labour and high rates of return for FDI. These investments increased demand for East Asian assets, driving prices, particularly for property and equities. By the late 1990s, attractive returns continued to fuel strong investment sentiment. East Asian financial sectors, filled with liquidity from FDI as well as short-term capital, continued to lend money freely.

As well, during the 1990s, other developing Asian economies, notably China and India with their huge market potentials, further drew both short-term and long-term capital into Asia. The only exception to the Asian growth phenomenon during the 1990s was Japan. Its post-World War II economic boom ended with the bursting of its "asset bubble" in 1989, leading to a decade of economic stagflation (Dehesh and Pugh, 2002; Johnson, 1998; King, 2006; Lim, 2001). Despite the propitious picture of the "Asian Miracle", there were sceptics, most notably a prominent US economist, Paul Krugman.

Krugman argued that capital investment in those Asian economies lagged growth in total factor productivity. As a result, he suggested that the remarkable East Asian growth rates were unsustainable (Krugman, 1994).

As Krugman predicted, a crisis emerged. In July 1997, an attack through currency markets on the Thai Baht symbolically marked the end of the "Asian Miracle" and the beginning of the East Asian Financial Crisis. The Thai Central Bank's inability to defend its currency against speculative attacks sparked a domino-effect. Panic sentiment fuelled further speculation and uncertainties in East Asian money markets. The currencies of other Southeast Asian economies and of South Korea successively came under attack, forcing major devaluations against the American dollar. Slumps in the Asian equity markets and property prices followed. The massive flight of short term capital from East Asian economies within the same short period, suddenly deprived their financial sectors of liquidity. Systemic failure caused runs on banks and margin calls. Many businesses, large and small, declared bankruptcies overnight. Financial panic snowballed across East Asian nations creating more panic within their real economics and creating further and broader economic chaos.

Indonesia, South Korea and Thailand were worst-hit. The International Monetary Fund (IMF) agreed to bail out all three countries by means of rescue packages worth a total of $US40 billion, but it imposed strict conditions. In particular, the IMF argued, paradoxically, that the same factors – such as pegging of domestic currency to the US dollar – that had contributed to the Asian miracle had also caused this crisis. Thus, it demanded that these three Asian economies adopt the 'Anglo-Saxon model', particularly the liberalisation of domestic markets in favour of foreign financial interests. These countries had to reduce their bad loans by raising capital through the 'fire-sale' of national assets, as well as lifting restrictions on foreign ownership. This

allowed western MNCs to gain a larger foothold in prominent East Asian companies at substantially discounted prices (see Krugman, 2000). On the political front, social unrest and riots followed. The ramifications led to the resignation of the Indonesian President Suharto and Thailand's Prime Minister Chavalit Yongchaiyudh (Corsettia et al., 1999; Radelet et al., 1998).

This crisis had a number of important implications for Singapore. First, the nation's political stability and sound economic fundamentals distinguished it from an increasingly turbulent region. Thus, Singapore was well-placed for a quick recovery from the crisis. In addition, the surrounding instability further consolidated Singapore's leading position as a regional headquarters for MNCs. Second, despite remaining less affected by the crisis, Singapore's economy went into recession in 1998 (Lee, 1999). Once again, this event drew attention to the vulnerability of Singapore's open economy to external shocks. It further underlined the wisdom of PAP's second industrial revolution and the corporatist partners' efforts to reform Singapore's wage system and subsequently, its labour market. Third, the crisis provided another opportunity to unite Singapore's corporatist partners under a common cause. It more closely embedded Singapore's employers, through the SNEF, in the PAP's policies, further strengthening Singapore's corporatist framework and ethos. The SNEF's own strategic response to this crisis appears in Chapter Eight.

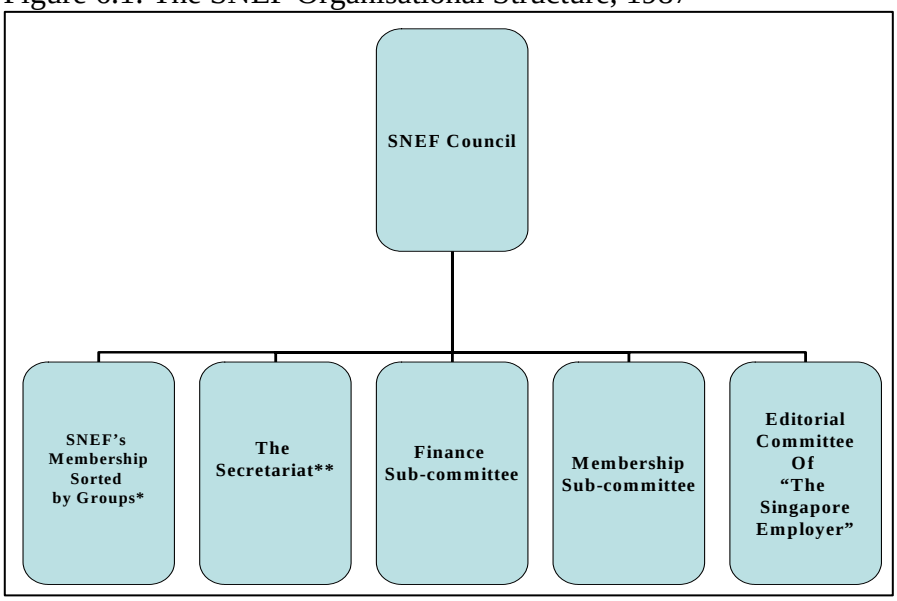
6.5 The SNEF Internal Dynamic, 1987-1997

(a) Organisational Structure

The organisational structure and governance systems remained largely unchanged from the previous period, apart from a minor reorganisation of industry groupings (see Figure 6.1). The SNEF Council retained its central policy-making role with Council membership remaining broadly representative of SNEF member firms.

Company executives active in the Federation took SNEF's broad role seriously, and their engagement with it. The SNEF *Annual Report* (1987: 4), reported the Council with 21 Chief Executive Officers (CEOs), 18 of whom were elected biennially from amongst the SNEF member companies. Another three were appointed by the Council itself. Those CEOs came from FIEs – for example, US, British, German and Japanese-owned – as well as local companies. Council membership was highly representative by sector, members coming from manufacturing, banking, retail, trading, marine engineering, electrical/electronics, hotel and textile/garments. Such characteristics reflected the status of the SNEF as Singapore's leading national employers' association and its extensive outreach links with Singapore's business community. The next sections consider the pattern of membership that underpinned the growing role of the SNEF in work matters – industrial, organisational and policy – and then its services.

Figure 6.1: The SNEF Organisational Structure, 1987



Source: SNEF *Annual Report*, 1987: 3-6.

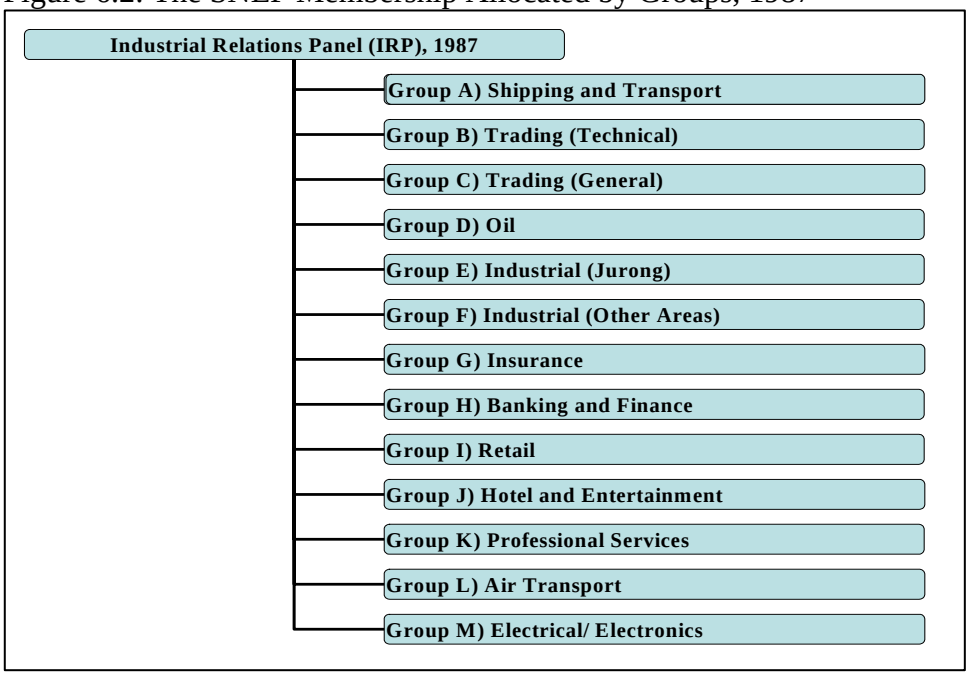
(b) Membership

During this period, the SNEF continued to accept employers of all categories and sizes. From 1987, membership was organised under 13 main industrial groupings – down from 16 in the previous period (see Figure 6.2). The design of these groupings

reflected changes in the Singaporean industry composition – with the removal of two previous industrial groupings, “Motor Vehicles” and “Textile Manufacturing”. It also renamed two others, “General Industrial (North) and General Industrial (South)”, as “Industrial (Jurong)” and Industrial “Other Areas”. As well, the SNEF divided its prominent “General Business Houses” into the new “Trading (Technical)“ and “Trading (General)“, reflecting greater emphasis on knowledge and services, and in contrast, two previously separate groups, “Hotel and Catering” and “Entertainment”, merged as a new broad group “Hotel and Entertainment” (SNEF, 1980; 1987).

These 13 industrial groupings remained unchanged over the decade to 1997. This reflected some stability in Singapore’s economy after the recession, as the effects of the second industrial revolution took effect. In addition, strong growth points to the economy consolidating under the influence of continuing growth, and the PAP Government’s planning and policy implementation.

Figure 6.2: The SNEF Membership Allocated by Groups, 1987



Source: Adapted by author from SNEF *Annual Report*, 1987: 5.

The SNEF membership by geographical location exhibits a good mixture of local, and foreign companies, constituted approximately 40 percent and 60 percent of

the SNEF membership respectively (see Table 6.2). The FIEs in the SNEF membership mirrored the importance of FDI in Singapore's economic policy over time. It was clear that the USA, Europe and Japan – Singapore's major trading partners – also had presence in Singapore. But, the local SMEs and GLCs played an equal if not more important role in the SNEF.

Table 6.2: The SNEF Membership By Owner Origin/Type, 1987-1997

Owner Origin/Type	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	% Δ	Av. %
USA	132	134	137	141	142	147	141	146	174	201	232	76	13.1
Europe	162	175	174	183	105	106	111	118	124	137	137	-15	12.1
Japan	42	51	63	75	77	90	96	103	124	141	152	262	7.5
UK					74	73	71	67	66	66	69	-7	3.5
Other FIEs	154	129	110	113	120	125	128	132	147	175	178	16	11.6
Joint Ventures	113	123	124	129	130	125	124	125	134	141	153	35	11.0
Local (SME)	368	369	412	441	467	482	495	516	578	616	656	78	41.0
Government -Linked Co. (GLC)										19	33	74	0.3
Total	971	981	1020	1082	1115	1148	1166	1207	1347	1496	1610		100.0

Source: compiled by the author from SNEF *Annual Reports*, 1987-1997.

Table 6.3: The SNEF Membership By Employer Union Status, 1987-1997

Employee Status	1988	1989	1990	1992	1993	1994	1995	1996	1997	% Change	Av. %
Unionised	625	626	645	659	661	604	682	690	698	12%	53%
Non-Unionised	356	394	437	489	505	603	665	806	912	156%	47%
Total	981	1020	1082	1148	1166	1207	1347	1496	1610		100%

Note: The SNEF did not publish unionised/non-unionised data for 1991.
Source: compiled by author from SNEF *Annual Reports*, 1987-1997.

The SNEF membership by employer union status exhibits an interesting trend (Table 6.3). During this period, unionised SNEF members who grew only 12 percent compared to non-unionised SNEF members increased by 156 percent. This significant phenomenon would be explored in greater details in Chapter Eight.

Table 6.4: The SNEF Membership Density and Membership (by Number of Companies),1987-1997

Year	Membership (No. of Companies)	No. increase	Total SNEF Membership by Employer Workforce	Nominal Av No, of Employees	Total Singapore Workforce	Membership Density by Workforce
1987	971	–	204404	211	1192900	17.1%
1988	981	10	217650	222	1238500	17.6%
1989	1020	39	239305	235	1277300	18.7%
1990	1082	62	274237	253	1516000	18.1%
1991	1115	33	290980	261	1645000	17.7%
1992	1148	33	302477	263	1692100	17.9%
1993	1166	18	300701	258	1721100	17.5%
1994	1207	41	301315	250	1801200	16.7%
1995	1347	140	345080	256	1700900	20.3%
1996	1496	149	374365	250	1976400	18.9%
1997	1610	114	407900	253	2075800	19.7%

Source: compiled by author from SNEF and MOL *Annual Reports*, 1987-1997.

Membership data are set out in Table 6.4 – number of member companies (column 2) and employee coverage of members' employees (column 4) and total labour force (column 6). Member employee data has only become available in the SNEF *Annual Report* since 1987, allowing membership density to be calculated (column 7). The SNEF's membership grew strongly over the period – an impressive 65.8 percent from 971 to 1610 member firms (see Table 6.4). Growth was steady, slowing in the short downturn but increasing significantly in 1995 and 1996. The SNEF membership by employer workforce rose faster – 99.6 percent from 204,404 to 407,900 – but overall, the density as measured by size of members' workforces, grew only marginally – from 17.1 to about 19.7 percent. In short, the SNEF continued securing new members, especially smaller firms in the latter part of the decade, leading to a fall in average size (by employees – column 5), increasing its national employee coverage modestly. The low density is perhaps surprising given the SNEF's status, and its government-sanctioned corporatist role. The SNEF Executive Director, Koh Juan Kiat, explained

that collective activities of leading employers within the SNEF also influenced non-SNEF members,

> We are not an organisation that aggressively goes out and pulls everybody into the organisation. But our approach is … we have a small group of leading employers, and, we know that what we do in this group of members will influence the rest (Interview: Koh, February 2007).

This observation indicates that the SNEF's leadership amongst employers rested on its authoritativeness and representativeness within the Singaporean context rather than its density levels. Its position, wide reach across industries, and influential leadership were enough to influence others who themselves had no pressing need to join. Koh's view is consistent with the reported data, and it may be inferred that the SNEF incorporated "'arge and leading' companies, but also attracted many smaller members.

Thus the SNEF leadership was not only externally focused; it also addressed members' day-to-day needs. On the one hand, the SNEF's leadership recognised that the recruitment of large and major employers to its membership contributed significantly to the SNEF's financial and operational viability. On the other hand, the SNEF's leadership made strategic choices consistent with Pfeffer and Salancik's (1978) resource dependence theory (RDT) by progressively, over time, reducing its dependency on membership dues as a primary source of income. As seen earlier, in 1980, SNEF depended on 90 percent of its revenue coming from membership dues. This dependency on dues fell to 50 precent in 1994, and then to 38 percent in 1995. It begins to stabilise around 37 percent in 1996 (see Table 6.5). The SNEF President, Stephen Lee (SNEF, 1995: 2) commented that the figures strongly indicated that the SNEF was providing the "right services and activities that meet members' needs", adding that the SNEF intended using its healthy financial position to provide more selective goods.

Table 6.5: The SNEF Income Composition[5], Selected Years

SNEF Source of Income	1980	1992	1994	1995	1996
Membership Dues	90%	59%	50%	38%	37%
Services	10%	31%	50%	62%	63%

Source: compiled by author from SNEF *Annual Reports*, 1980, 1992, 1994-1996.

(c) The SNEF Services to members

The SNEF continued to develop its range of selective goods as well as elective goods as the environment facing employers became more complex. In turn, the SNEF members continued to register high usage for the more popular selective goods, particularly those through which the SNEF provided advice and information to members. As the Federation deepened its role in the Singaporean corporatist system, facilitating a role for leading employers in feedback and policy implementation, the more attractive its services were for employers. This section outlines the expanding range of services in the 1990s.

Apart from library services and regular free briefings to its members, the SNEF disseminated information in various other ways. For example, the *SNEF Services Manual* incorporated basic information on IR, employment contracts, disciplinary inquiries, HRM, standard provisions in collective agreements, industrial health and safety, training and development as well as research and publications. The *Industrial Relations Enquiries Desk* – staffed by the Deputy Executive Director (IR and Industrial Safety & Health) and, in his absence, by the Executive Director himself – provided more timely responses to the telephone enquiries by members about industrial relations questions or other problems. The SNEF also distributed *The Employer*, a quarterly publication, free to all members. The newsletter covered topics on IR, other aspects of labour-management relations, training and productivity. As well, recognising there was

[5] Since 1982, SNEF no longer published its financial accounts in its annual reports. The author compiled the data from SNEF Annual Reports' section on 'President's Review' where available.

no systematic storage and retrieval of a mass of available IR data to assist members with their IR problems, the SNEF mooted the idea to develop an *IR Data Base*.

The SNEF had a strong commitment to active leadership of improved practices among employers. For example, it continued expanding its training programs to further its objective of promoting its role in productivity at work with the aim of modernising HRM approaches in Singapore. These included IR training for practitioners, line managers, supervisors and foreign managers. The pursuit of improved industrial health and safety was another area in which SNEF actively led employers. In particular, the SNEF provided training for safety officers, chairmen and members of safety committees. It also offered firms training in performance appraisal, wage administration and employee orientation. It widely promoted health and safety at workplaces through its other activities. These included health and safety administration programs in factories as a primary preventive measure. The SNEF staff was available to assist with the designing and conducting of industry-specific health and safety training courses. Finally it provided an array of publications promoting OHS including health and safety manuals and self-regulatory systems for employer self-implementation.

In 1990, the SNEF celebrated its 10th anniversary by organising a National Employers Conference on “Managing in the 1990s” – one of a number of conferences organised to provide a forum for employers to discuss the issues and challenges arising from economic and workforce changes. In 1992, the SNEF offered three new selective services: an HRM service to assist members to develop sound HRM policies, systems and procedures; a two-year part-time MBA program in Singapore; and the use of the COMPERS Job Evaluation System for executive jobs. This extended the existing SNEF job evaluation system which previously had been applied only to non-executive jobs (SNEF, 1992).

In 1993, the SNEF provided advice and other services to employers in the following key areas of industrial and employment relations: co-payment of medical benefits, wage reforms; job-skill matching of new recruits, out-placement of mid-career executives, benchmarking of occupational wage rates, remuneration increments, bonuses, and retrenchment benefits. It also provided HRM consultancy services such as job evaluation, training needs analysis and training programmes (SNEF, 1993).

In 1994, the SNEF Training Department, now renamed the SNEF Training Institute, re-oriented its focus to providing training programs across a range of skills needed by employers – CEO's and their key managers – in facing future challenges. Examples included offering senior-level management programs. As well, supporting Singapore's regionalisation drive, the SNEF offered management training to managers from China (SNEF, 1994).

In 1995 the SNEF introduced the Executive MasterCard credit card as an exclusive service available only to employees of SNEF members. In the same year, the SNEF launched its internet website (SNEF, 1995). As the internet arrived, the SNEF's use of information communication technologies (ICT) provided global outreach; and, over the latter part of the decade, ICT became integrated into its new strategy of enhancing the SNEF's "associability" and "governability". The SNEF Executive Director, Koh Juan Kiat, spoke of the increasing importance of information technology for the SNEF,

> I remembered very clearly when I first join SNEF in 1995; there were no computer in my room ... I think that was the best thing I did [for SNEF], I think within a month, everybody had a computer … so we can send email and we then continue to develop our website. It was elementary in the beginning. And then of course 1996 came the trend of email … the website exposes us to the whole wide world. We became very visible in many countries. So it gives you exposure, people do write in … The thing about IT many years ago when I was in the government is we always have to invest ahead. The things we are doing today would not be possible if we have not invested in IT … our

> website, our emails, our research tools, our links are not possible without IT. In IR, we have to keep our communication open at all times (Interview: Koh, February 2007).

The process continued in the following year. In 1996, the *SNEF Executive Development Centre* (EDC) partnered a number of reputable foreign institutions in organising programs to help CEOs and senior executives acquire knowledge and skills to lead the process of change and continuous improvement in their organisations. The SNEF organised an orientation program for new foreign managers, bringing together speakers from various government agencies, the NTUC and the SNEF. These new expatriates gained insights into a host of topics relating to doing business in Singapore, including: Singapore's economic development policies; manpower training and its development and productivity movement; partnerships between civil service and the private sector; as well as labour-management relations and tripartism in Singapore (SNEF, 1996).

Apart from free selective services, the SNEF provided limited elective services – mainly involving research surveys, publications, customised training programs and consultancy services, available to the public and members, at different rates. The SNEF Research Institute periodically produced publications such as: Salary Survey for Executives and Non-Executives, Comparative Guide to Collective Agreements in the Manufacturing and Non-Manufacturing Sectors, Salary Survey on the NWC Guidelines, Survey on Extension of Retirement Age, Compensation Survey for the Retail Industry and Compensation Survey for the Motor Industry.

As well, the SNEF offered a host of customised training in general management and supervisory development, business communication, sales and marketing, human resource/training management, training development series, the IR/Employment Act, Industrial Health and Safety, cost management, information technology, financial

accounting, technology management, and quality management – all designed to suit the specific needs of member companies.

With more resources since the mid-1990s, the SNEF began to offer fee-based consultancy services to both its members and the public. Examples included: consultancy and training in factory registration; interpretation and application of Industrial Health and Safety laws, and handling of Industrial Health and Safety problems. Furthermore, the SNEF helped members to set up personnel departments, draft handbooks of personnel policies and/or procedures, and the design and implement effective job evaluation and performance appraisal systems. As well, the SNEF's members and non-members could commission the SNEF consultants to conduct training needs analysis and to draw up training plans for submission to the SDF.

Notably, many of the SNEF's elective and selective services and its collective roles were mutually complementary. This did not happen by chance. It was consistent with Jun and Sheldon's (2007) observation that employers' associations use expertise accumulated from their collective roles to develop selective/elective services. For example, the Federation's active promotion of flexible wage systems largely coincided with its selective/elective services such as its Job Evaluation System. Its role as a key corporatist partner at the national level the SNEF enabled it to obtain up-to-date, first hand information on IR and HR policies. Thus, it was able to conduct training courses and free briefings sessions, such as the yearly *NWC Recommendations* briefing, as one of its many selective services (SNEF, *Annual Report*, Various Years).

In sum, the SNEF's expansion of both collective and selective/elective roles and its further consolidation as Singapore's main national employers' association, provide further evidence regarding the effectiveness of its leadership and stability of it internal

dynamics. The ensuing section further analyses the SNEF's leadership and decision-making.

(d) Leadership and Decision Making

The SNEF continued to play an active external role during this period, both adding resources to the SNEF Secretariat, and restructuring its organisational focus in important areas. These included IR/HRM, training and development, information and research, OHS, membership and public relations; accounts/finance and administration (SNEF, 1990). In the mid-1990s, the SNEF consolidated the latter three into one single division to streamline Secretariat administrative support. Over time, the SNEF Secretariat increased staff numbers from 28 full-time staff in 1980 to 37 in 1997. The pressure to raise revenue and extend activities to support employers intensified in the decade after 1986. Executive Director, Koh Juan Kiat, explains that the importance of the Secretariat for the SNEF strategy escalated in response to changes in the external environment over time, particularly with regard to the Asian Financial Crisis in 1997 near the end of this period,

> No, earlier on we have fewer resources … But after 1997 … the economy completely changed. New issues cropped up and the business cycle became shorter. It seems you have to deal with many issues at one go … Yes, our budget has doubled in 10 years; from S$2.5 million to more than S$5.5 million now [in 2007]. I think it will continue to increase. That is why when we talk about this kind of organisation [the SNEF], we cannot depend only on membership subscriptions to generate revenues (Interview: Koh, February 2007).

In contrast to members of the SNEF Council, the IRP and the two sub-committees, the SNEF Executive Director was a full-time employee responsible for daily operations and reporting to the SNEF Council. While the role was not as prominent as the role of the SNEF President, it was nevertheless a crucial one, vested with the heavy responsibilities of managing the organisation in a disciplined and financially rigorous way. As may be expected, a non-profit organisation like the SNEF,

relying heavily on membership dues (particularly in the 1980s), was constrained to operate on a limited budget. Moreover, the SNEF secretariat did not enjoy the sort of 'cross-fertilisation' that was practised between PAP and the NTUC. Instead, it had to compete with both the public and private sectors to recruit from its limited budget.

Nevertheless, during this period, the SNEF was very successful in attracting talented individuals to head its Secretariat. Until 1995 – with a brief break in his long tenure with the SNEF – Tan Peng Boo actively represented employers' interests at the national level in the NWC, the NWC Sub-Committee for Wage Reforms and the CPF Board. Between 1986 and 1989, Tan was regional advisor with the ILO in Bangkok. On rejoining the SNEF, he took over from Lawrence Mah, a former Director of Personnel at Keppel Shipyard. Having successfully served the SNEF from 1982, Tan retired in 1995 and migrated to Australia. His replacement, Koh Juan Kiat, who graduated with First Class Honours in Engineering from Monash University, Australia, was a proven technocrat who was NPB CEO from 1987 to 1994 (Interview: Koh, February 2007).

As in the previous period, the SNEF continued to enjoy stable leadership among its staff and elected officials, particularly on the SNEF Council and the two sub-committees (see Tables 6.5, 6.7 and 6.8). Closer examination reveals a number of important features. First, a clear pattern of core leadership emerged in this period on the SNEF Council (Table 6.6), comprising a primary group of prominent local CEOs consistently serving over a long period. Stephen Lee, Boon Yoon Chiang, James Lee, Alan Yeo, Lim Hong Keat, Jack Chia and Bob Tan were the central, close-knit group of CEOs. Significantly, there was a conspicuous absence of Western business figures within this central group. One explanation for this was the fact that most Western business people were paid employees on temporary postings to Singapore. Accordingly,

long-standing personal involvement in the SNEF Council would have been implausible for this group.

But, both local SMEs and MNCs were well represented on the Council. As well, there was a good mix of both local and non-local CEOs (see Table 6.6). More importantly, this period, as in the past, shows that the Council consistently featured a central group of well-established and leading companies over time. These firms included Jardine Matheson (Singapore) Ltd, Wing Tai Holdings (Singapore) Ltd, Singapore Standard Chartered Bank, Shangri-la Hotel, Meritus Mandarin Hotel, Yeo Hiap Seng Ltd, Inchscape Berhad, Carters Jewellers, MK Electric and Jack Chia-MPH Limited. There were two implications here. First, this group provided symbolic leadership in IR and HR practices. Their CEOs, as the SNEF Council members, were in a *de facto* sense, Singapore's leading corporate IR practitioners. Second, as successful and leading companies in their own right, collectively they provided moral authority for the SNEF to act as the official voice of all employers in Singapore. In other words, leading firms played a central role in the SNEF's position in the Singaporean system.

In contrast with the stability in membership on the SNEF Council, the IRP leadership patterns exhibited regular changes (see Table 6.7). The IRP comprised 18 members; of which 13 were elected biennially through secret postal ballots no less than 21 days[6] before the AGM. The SNEF Council would appoint the remaining five members who included the IRP chairman, the SNEF Vice President, Vice-Chairman and a Council member respectively (SNEF, 1987: 5). For the IRP, this pattern allowed Singapore's leading companies to take turns to lead their respective industries in the discussions of IR and HR matters. For example, in Industrial Group 'D' – Oil, it was obvious that leading petroleum and refinery companies in Singapore – such as ESSO,

[6] SNEF *Constitution*, Rule 21 (c)

Caltex, Shell and Singapore Petroleum – rotated the group's chairmanship. As well, similar patterns emerged in the hotels, retail, insurance and banking industrial groupings. Transport and shipping – Group A was the clearest exception.

Once again, informal patterns of influence dominated the IRP's election proceedings. Victor Kow, Group K chairman from 1998 to 2001, recalled being informally invited by the IRP Chairman to run for office. Such 'invitations' rested on the candidate's reputation among his/her peers, as well as the company represented. Thus, while IRP elections underwent a formal process, the outcome was more of a consensual rotation enabling representatives from leading companies to take the role of various group's chairmanship. Kow further added that this was a well-established practice (Interview: Kow, December, 2008).

Strategically, this 'rotational' leadership was valuable for the IRP, and the SNEF as an organisation. The IRP effectively became an important *internal consensus-seeking* mechanism that legitimised SNEF's policies. The IRP was crucial for incorporating as many views of Singapore's leading companies as possible, and in *connecting* strategic SNEF's decisions to viable business outcomes in *implementing* policy. The involvement of these leading companies, directly and indirectly, influenced the IR and HR policies of many other companies in Singapore (Interview: Chia, December 2006; Kow, December 2008).

Table 6.6: The SNEF Council Membership, 1986-1997

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
President	Jack Chiarapurk; MPH		Stephen Lee; Great Malaysia Textile									
VP	Stephen Lee; Great Malaysia Textile			Bob Tan; MK Electric								
VP	H F Busch; BBC Brown Boveri		Robert J Barton; Cold Storage		David G John; Inchcape Berhad		Phillip I Overmyer; AT&T Singapore					
VP	Lim Hong Keat; Metal Box				Lim Hong Keat; CMB Packaging Textile							
Secretary	Boon Yoon Chiang; Jardine Matheson											
Deputy Secretary	James Lee; Wing Tai Garment						Albert Low; Black & Decker Housewares				Alex Chan; YeoHiapSeng	
Treasurer	Michael R Taylor; Chartered Bank		Christopher Harrison; Singapore Standard Chartered Bank					Teresa Foo; Singapore Standard Chartered Bank				
Deputy Treasurer	Takahiko Akamatsu; Sumitomo Bank	Robert J Barton; Cold Storage	Albert Low; Applied Magnetics				James Lee; Wing Tai Holdings					
Council Members	David C Denman; Inchcape Berhad	David G John; Inchcape Berhad			Freddy Lam; Caraters Jewellers							
Council Members	Edward D Johns; Sixfold Limited	Kenichi Tokunaga; Yokogawa Electric Singapore	Steven Goh; Metro				Steven Goh; Metro					
Council Members	Koh Boon Hwee; HP Singapore		Jack Chiarapurk; MPH				Richard Martin; Inchscape Berhad			Hiroshi Tadano; Sumitomo Bank		Shinichi Oka; Mitsuibishi Chemical

Table 6.6: The SNEF Council Membership, 1986-1997 (Continued)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Council Members	Sonnie Lien; The Mandarin Singapore				Kazuo Goto; Mitsubishi Electronics	Takao Wada; Mitsubishi Bank		Koji Morikawa; Mitsubishi Bank	Hiizu Ichikawa; Mitsubishi Bank		N S Nayak; Bank of India	
Council Members	Yutaka Ohtsuka; Chiyoda Singapore	Bill Spelman; GM Singapore			Takeshi Kishima; Murata Electronic			Koji Morikawa; Murata Electronic				Yasuo Tada; Denka Singapore
Council Members	Robert J Barton; Cold Storage		Manfred GE Schwencke; Behn Myer & Co									
Council Members	Albert Low; Applied Magnetics				Kuok Khoon Ean; Shangri-la Hotel				Jean F Wasser; The Mandarin Singapore			
Council Members	Bob Tan; MK Electric											
Council Members	Tan Wah Thong; Baker Marine Energy											
Council Members	Sia Yong; Sim Lim Finance		Shigeru Noguchi; Sumitomo Corporation	Mitsuru Hamaishi; Mitsubishi Bank	Steven Hamblin; Compaq Asia							
Council Members	Alan Yeo; YeoHiapSeng											
Council Members	Harry G Van Wickle; Technology Applications				Noel F Robertson; Cold Storage				Michael King; Bayerische Landesbank Girozentrale			

Source: compiled by author from SNEF *Annual Reports*: 1986-1997.

Table 6.7: The SNEF IRP Membership, 1987-1997

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Chairman	Stephen Lee, Great Malaysia Textile Manufacturing Co Pte Ltd		Lim Hong Keat, MetalBox Singapore Ltd		Albert Low, Applied Magnetics (S) Pte Ltd	Albert Low, Momenta Technologies Ltd	Albert Low, Black & Decker Housewares Pte Ltd				Alex Chan, Yeo Hiap Seng Ltd
Vice Chairman	Yap Eu Win, F&N (S) Pte Ltd										Yap Eu Win, Singapore Technologies Pte Ptd
Chairman, Shipping & Transport Gp A	Philip Chen, Orient Lloyd Pte Ltd										
Chairman, Trading (Technical) Gp B	Ho Chak Loon, Stanley Works Asia Pacific Pte Ltd		Lim-Ho Geok Choo, Minolta Singapore (Pte) Ltd		Mohamed Shahar, Cycle & Carriage Limited						
Chairman, Trading (General) Gp C	Ng Geok Kim, Jack-Chia-MPH Ltd	Tan Han Keat, Hagemeyer (Singapore) Pte Ltd	Teo Cheng Peow, ICI (Singapore) Pte Ltd				Particia Tan, Hagemeyer (S) Pte Ltd				
Chairman, Oil Gp D	Ong Hong Him, BP Refinery Singapore Pte Ltd	Stephen Chua, Shall Eastern Petroleum Pte Ltd		Foo See Luan, Esso Singapore Pte Ltd	Yin Hong Shuen, Caltex (Asia) Ltd		Percy Tan, Singapore Refining Co Pte Ltd	Doris Tan, Singapore Petroleum Company Ltd	Liew Cheng San, BP Refinery Singapore Pte Ltd		Leong Liem Seng, Shell Eastern Petroleum (Pte) Ltd
Chairman, Industrial (Jurong) Gp E	David Ang, The Chartered Industries of Singapore Pte Ltd			David Ang, Singapore Shipbuilding and Engineering Ltd/Singapore Technologies Holdings Pte Ltd			Loh Sai Yin, SKF Manufacturing Singapore (Pte) Ltd				
Chairman, Industrial (Other Areas) Gp F	M Yusoff Ismail, Bukit Turf Club				Ng Jue Meng, Singapore Tobacco Co (Pte) Ltd						

Table 6.6: The SNEF IRP Membership, 1987-1997 (Continued)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Chairman, Insurance Gp G	Shelton Chellappah, Prudential Assurance Co Ltd								Yusoff B Ismail, Prudential Assurance Co Ltd		Stanley Tan, The Great Eastern Life Assurance Co Ltd
Chairman, Banking & Finance Gp H	John B Seager, The Standard Chaterered Bank	Koh Chye Seng, Overseas United Bank Ltd		David Ong, The Standard Chartered Bank	Eric Lee, Oversea-Chinese Banking Corporation Ltd			James Wong, The Standard Chartered Bank		Ronald Lim, United Overseas Bank Ltd	Tan Hee Huan, United Overseas Bank Ltd
Chairman, Retail Gp I	Edward Tan, Metro Pte Ltd				Victor Tan, Robinson & Co (S) Pte Ltd		Edward Tan, Metro Pte Ltd				
Chairman, Hotel & Entertainment Gp J	P K Wong, Hyatt Regency Singapore		Tan Eng Leong, The Westin Stamford & Westin Plaza		Ding Yew Soong, Hyatt Regency Singapore		Richard Goh,The Mandarin Singapore	Tan Eng Leong, Westin Stamford & Westin Plaza		Tan Eng Leong, Shangri-la Hotel	Chua Soon Lye, Carlton Hotel Singapore Pte Ltd
Chairman, Professional Services Gp K	Ho Lai Chan, Price Waterhouse			Preston Webb, Singapore Casket Co Pte Ltd		Wong Kok Yap, Singapore Land Limited					
Chairman, Air Transport Gp L	Ng Kah Thim, Singapore Airlines Ltd	Yap Kim Wah, Singapore Airlines Ltd			Anthony Syn, Singapore Airlines Ltd		Chew Kai Seng, Singapore Airlines Ltd				
Chairman, Electrical & Electronic Gp M	Lee Siong Kee, GE (USA) Asia Co	Tan Tock Chen, National Semiconductor Pte Ltd		Sunny Chan, Hewlett-Packard Singapore Pte Ltd			Herman Tan, Seagate Technology International				Lee Kok Wai, Compaq Asia Pte Ltd

Source: compiled by author SNEF *Annual Reports*, 1987-1997.

Table 6.8: The SNEF Membership Sub-Committee, 1987-1997

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Convenor	Hans F Fush	Robert J Barton, Colds Storage Holdings PLC		David G John, Inchscape Berhad		Phillip I Overmyer, AT&T Singapore Ptd Ltd					
Member	Robert J Barton	Bill Spelman, GM Singapore Pte Ltd			Takao Wada, Mitsubishi Bank Ltd		Hiizu Ichikawa, Mitsubishi Bank Ltd		Freddy Lam, Caraters Jewellers Pte Ltd		
Member	Edward D Johns	Kenichi Tokuna ga		Steven Hamblin, Compaq Asia					Jean F Wasser, The Mandarin Singapore		
Member	Takahiko Akamatsu			Kazuo Goto, Mitsubishi Electronics							
Ex-Officio Member	Jack Chia	Bob Tan, MK Electric (S) Pte Ltd									
Ex-Officio Member	Stephen Lee, Great Malaysia Textile Manufacturing Co Pte Ltd										
Ex-Officio Member	Lim Hong Keat, Jack-Chia-MPH Ltd										

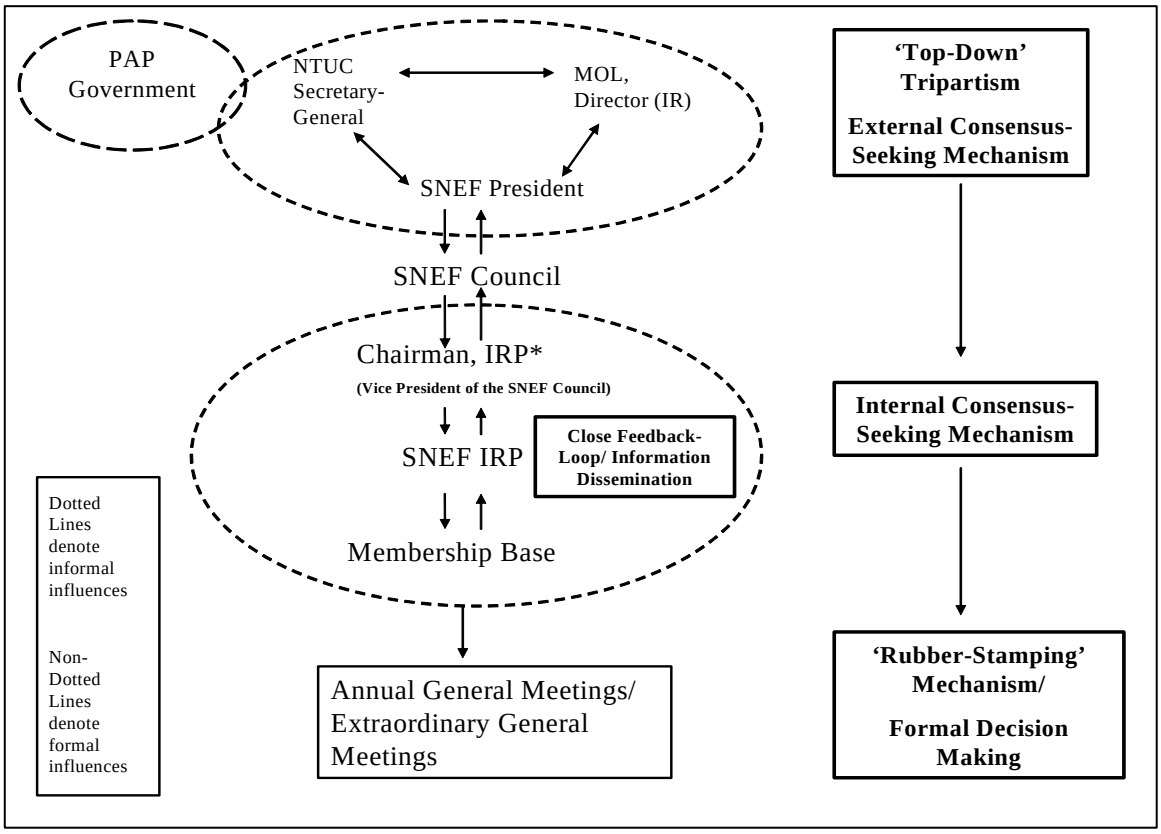
Source: compiled by author from SNEF *Annual Reports*, 1986-1997.

Table 6.9: The SNEF Finance Sub-Committee, 1987-1997

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Convenor	Michael R Taylor	Christoper Harrison, Singapore Standard Chartered Bank					Teresa Foo, Singapore Standard Chartered Bank				
Member	Boon Yoon Chiang, Jardine Matheson (Singapore) Ltd										
Member	James Lee, Wing Tai Holdings Ltd										
Member	Robert J Barton	Albert Low, Black & Decker Asia Pacific Ptd Ltd									Alex Chan
Member		Jack Chia, Jack-Chia-MPH Ltd									
Ex-Officio Member	Jack Chia	Bob Tan, MK Electric (S) Pte Ltd									
Ex-Officio Member	Stephen Lee, Great Malaysia Textile Manufacturing Co Pte Ltd										
Ex-Officio Member	Hans F Busch	Robert J Barton, Colds Storage Holdings PLC		David D John, Inchscaoe Berhad		Phillip I Overmyer, AT&T Singapore Ptd Ltd					
Ex-Officio Member	Lim Hong Keat, Jack-Chia-MPH Ltd										

Source: compiled by author from SNEF *Annual Reports*, 1986-1997.

Figure 6.3: The SNEF Formal and Informal Patterns of Influence in its Decision-Making Process, 1987-1997



Source: author compiled from Interviews and SNEF *Constitution*.

These prominent business figures took an active interest in the SNEF's development. This included attention to staffing the organisation's senior, professional ranks. The most important of these processes concerned the promotion of Stephen Lee, then aged 40, to the SNEF Presidency. As the previous chapter discussed Stephen Lee's prominent representative role, as Vice President for the SNEF on Government statutory boards and national-level tripartite committees, was developmental. CEOs of prominent companies sitting on the SNEF Council were clearly grooming Lee to become the next SNEF President, as part of a wider succession plan. In 1988, after serving five years as the SEF President and eight years as the SNEF President, Jack Chia (of Jack Chia-MPH Ltd) vacated the senior SNEF position for Stephen Lee (SNEF, 1987: 2).

The timing and process of this transition suggest a number of conclusions. The concept of succession-planning was a relatively new HRM concept in the mid-1980s, and Lee's ascension suggested the SNEFs forward-looking practices. First, it provided another indication of the far-sighted and sophisticated thinking of its leadership. Second, the fact that Chia stayed on the SNEF Council for a number of years after stepping down as President, also suggests that the leadership transition was planned, rather than acrimonious. In fact, Chia (SNEF, 1987: 2) affirmed this publicly,

> Due to my business commitments and frequent travel overseas, I have decided to step down as President at the end of the Council's current term of office on 30 June 1988. If elected, I shall remain a Council Member to render full support to my successor.

Third, while both Chia and Lee ran their own companies – Chia was a self-made businessman while the younger Lee graduated with a MBA degree from Northwestern University (US) in 1973 and took over the running of his family business – they exhibited two differing styles of leadership. Where Chia was described by those who knew him as "very tough", as well as, "a very colourful character" (Interviews: Tan, February 2007; Leow, January 2007), Lee's style of leadership was less publicly forceful, yet equally effective. In several interviews with key industrial relations practitioners, and a *Straits Times* industrial relations reporter, Lee was often described as a "charismatic leader" capable of "dealing with people at all levels" (Interviews: Chia, December 2006; Terry Lee, January 2007; Lim, January 2007; Ong; January 2007). Lee's style was perhaps better suited for the new style corporatist framework. Moreover, he was associated with a range of business interests and other connections.

Stephen Lee, born in 1947 in Shanghai, went with his family to Singapore from Hong Kong in the 1960s, becoming a Singaporean citizenship in 1987. His father founded the Great Malaysia Textile Manufacturing Company with Stephen becoming its Managing Director in the 1980s. Importantly, Lee was also MD of Shanghai

Commercial & Savings Bank Ltd, Taiwan from 1979, and Director of G2000 (Apparel) Limited from 1991. Apart from the SNEF Presidency, his public portfolio included Executive Council member of the Singapore Manufacturing Association (SMA), Singapore Labour Foundation's Director, from 1978, Chairman of International Enterprise Singapore from 1995, Kidney Dialysis Foundation's Director from 1996 and, Nominated Member of Parliament from 1994 to 1997. It was clear from Lee's extensive private and public portfolio that he was well-regarded amongst his peers, IR practitioners, and the PAP Government.

Figure 6.3 outlines the relationships in the formal framework for the SNEF and the IRP, and the central role of informal, consensus-based processes in the SNEF, which together had a much broader influence on employer responses and behaviour to 'top-down' tripartism. The SNEF maintained stability in its internal dynamics through formal and informal channels of influence. Over time, the IRP became an effective conduit between the SNEF Council and Secretariat and its members, where policies and issues were discussed and deliberated via an internal consensus-seeking mechanism. With stable leadership over time (see Table 6.6), the new charismatic SNEF President proved crucial for the organisation. The SNEF's intricate decision-making process – a feature shared with other leading employers' associations in East Asia (Jun, 2007) – depended heavily on informal patterns of influence that operated both internally and externally. First, the Singaporean variant of corporatism was both explicitly and implicitly guided by the PAP's ideology of pragmatism where Singapore's national interest always superseded sectoral interests. In turn, policies designed to fulfil the 'big picture' – of advancing Singapore's economic growth with the aim of creating wealth and jobs – were legitimised through closed-door consensus-seeking mechanisms within the corporatist framework. At the top were three key IR practitioners – the SNEF

President, Stephen Lee; the NTUC Secretary General, Lim Boon Heng, and the MOL Director of Industrial Relations, Ong Yen Her. From this, the PAP Government further inter-linked its influence from this top-tier tripartite corporatist network via General Secretary Lim, also a cabinet minister, as well as Ong who represented MOL's Permanent Secretary and the Minister of Labour.

These patterns of consensus-seeking then flowed downwards to the SNEF and the NTUC. Decisions and policies made at the top-tier passed to the respective national union and employers' councils. Within the SNEF, matters were then passed to the IRP for closed-door deliberations. The SNEF Council would then make final policy decisions after IRP feedback and recommendations (Interview: Chia, December, 2006; Kow, December, 2008). Finally, whenever needed, Annual General Meetings (AGMs) or Extraordinary General Meetings (EGMs) served as a 'rubber-stamping' mechanism to formalise and legitimise the SNEF's decision-making process. For example, at AGMs, the SNEF Council would present its annual audited financial accounts and seek members' endorsement on issues previously assented at the IRP level. Thus, harmony prevailed.

Finally, an important component of the SNEF's stable leadership pattern was the personality of its President. In 1988, the smooth transition of the Presidency to Stephen Lee reflected SNEF cohesiveness, internal stability and harmony within the Council. Lee brought to the organisation a new style of leadership that seemed to have a broader appeal, commanding respect as a charismatic leader amongst the main corporatist actors. This respect afforded Lee enormous influence within the SNEF, Singaporean IR, and related public policy forums. The importance of Stephen Lee's tenure and role as President to the SNEF is not only significant here, but also in the context of the employers' association literature. In this case, it is worth quoting the MOL's Director of

Industrial Relations, Ong Yen Her, who identifies Lee's valued traits and his ability to manage as diverse an organisation as the SNEF, and points to key aspects of the role of the SNEF as an employers' association involved in Singaporean IR as well as other areas of socio-economic policy:

> I think his [Stephen Lee's] personality involves a number of aspects. He is a very *humble* chap, very approachable … very *well accepted* among his members. And I think his strength is that he is not only able to relate well to workers and he can also deal with the very high level, be it a CEO or a minister. He is able to look at and *analyse issues* at a vantage point, and then try to reason them out (Interview: Ong, January 2007, emphasis added).

From his personal characteristics emerged a broader admiration of a personal, as well as organisational capacity to surmount particular issues in the service of broader issues. This valuable ability centred on the skills of collaboration and conciliation, identified here as consensus-seeking. As argued, this has personal and organisational features. Ong notes,

> In a way, he is a very good *conciliator*. He is not only able to conciliate within SNEF but also with the *other social partners* … he is also able to ensure the wider interests of everyone [both local and foreign] are *taken care of*. That is why he goes for issues such as productivity increases linked to wage increases which will help enhance our competitiveness … And he didn't really go and quarrel by taking a strong position on say, A company's quarrel with the union on a very micro issue. That micro issue may undermine the whole principle [of tripartite cooperation]. For example if there is a quarrel over 3% or 5% wage increases, he will leave it to the respective parties to resolve it. If they can't resolve it, then go for arbitration … In other words, the employers have this trust [in him]. Trust that this leader is able to look at the big picture, to bring an outcome that is win-win for everybody. In other words, the employers' interests are also safeguarded and promoted (Interview: Ong, January 2007, emphasis added)

As well, another aspect of Lee's leadership was his linking of personal and organisation features to the broader experience and position of central leaders. As a business owner, rather than as an employee, Lee attracted credibility, and in turn, commanded authority and respect. Ong states,

> … And then the third important one is that he has keen interests and commitments. You see if we have an employer-employee leader [non-owner leader], he would probably serve only one term. He may have high commitment but only during that period. I think in the case of Stephen Lee, his commitments go far beyond …
>
> Also the fact that he himself is an employer [an owner employer]. If you yourself are an employer, you know what is important to you. When an owner employer is prepared to spend his time to get involved in this process, to do the job, to make sacrifices … Because you could have used this time to make more money for your own business instead. But instead, he [Lee] spent a lot of time helping other employers by bringing about a better investment climate, a better business environment. I think having such credibility is very important because sometimes when the other employers do not want to tow the line for instance, you can actually stand up and scold the guy and say look, you are not complying with the wider interests (Interview: Ong, January 2007).

In summary, a clear pattern began to emerge during this period, adding further evidence to earlier observations on the SNEF's leadership. First, the SNEF's Council consistently featured a tight-knit primary group of local CEOs and, over time, their influence strengthened. Second, despite the non-binding feature of its Constitution in regard to policies, the SNEF derived significant moral authority and influence from a central group of successful leading Singaporean companies. Finally, the wider corporatist system was based on the interlocked consensus-seeking mechanisms under the guidance of the PAP's ideology and strategies. The following section investigates how these patterns informed the ways that the SNEF engaged within the Singaporean corporatist frameworks and its IR institutionalist processes.

6.6 The SNEF's External Roles, 1987-1997

6.6.1 The SNEF and its Ongoing Corporatist Responsibilities

The SNEF continued to provide a broad range of collective services in fulfilling its representative responsibilities within Singapore's corporatist system and beyond. It maintained its pivotal role on Government statutory boards and Committees across

important areas, including central institutions such as the CPF, the NWC, the IAC and the NPB.

With the advantage of its internal 'harmony', the SNEF was able to focus its attention effectively on five clear external challenges during this period. First, in the 1990s, Singapore was becoming a mature economy faced with intensified competition, as well as the rising costs of doing business. Second, the rise in other Asian economies – particularly China and India – precipitated a number of opportunities and threats in product and labour markets. Third, Singapore's regionalisation policy, limited deregulation and privatization policies in the 1990s presented further opportunities and threats. Fourth, the Asian financial crisis in 1997 brought challenges. Finally, Singapore's ageing population and declining birth rates prompted new legislation that impacted directly on the cost of doing business.

Apart from its long-standing corporatist commitments, the SNEF's leadership continued to anticipate and respond to emerging challenges for which employers required collective leadership and a representative voice. From the 1990s, the impact of rising health costs – from ageing and other factors – on the cost of doing business in Singapore, was an issue in which the SNEF actively represented its members. In 1992, the SNEF formed a taskforce to investigate medical benefits and healthcare resulting in the submission of a memorandum from employers to the *Review Committee on National Health Policies*. On this issue, the SNEF positioned the employer's role as promoting a healthy lifestyle among its employees and introducing cost-containment measures, encompassing cost-sharing and planned financing. Following the lead of the public sector, the SNEF promoted the co-share principle with regard to healthcare costs. That is, employers and employees should share the cost of primary, specialist, and

hospitalisation care by introducing co-payment schemes (SNEF, 1994; *Straits Times*, 3 July1994; *Straits Times*, 8 August 1995).

The SNEF also represented employers on other legislative changes. These included: the MOL's proposed legislation to facilitate the employment of women; part-time workers, and flexible payment of the annual wage supplement (AWS). In mid-January 1994, the SNEF represented employers in the *Tripartite Review Committee on the Employment Act* to review the provisions of the *Act* which had become irrelevant or hindered company restructuring. Key issues discussed included: company restructuring and transfer of employees; definitions of "rate of pay" and "ordinary rate of pay"; part-time employment; cost sharing of medical benefits; extension of the retirement age and, unionisation guidelines for supervisors (SNEF, 1994).

The SNEF also began representing Singapore's employers at the ACE (ASEAN Confederation of Employers) (SNEF, *Annual Report*, 1987-1997). From 1991 to 1993, SNEF's role in the ASEAN region took on a more important profile when the Federation assumed the ACE Presidency, and acted as the Secretariat for Confederation, the SNEF organised a conference for entrepreneurs, businessmen, and senior executives in the region on "Competitive Strategies for the year 2000". In addition, the SNEF extended its soft power beyond national borders through inter-association assistance. It assisted the Malaysian Employers' Federation (MEF) develop a job evaluation system for non-executives and lent its expertise in other MEF training programs (SNEF, 1992). As Koh Juan Kiat (2007), commented, such regional networking among national employers' associations also benefited the SNEF member companies,

> For example one of our members also has operations in Malaysia and they ran into trouble, we have referred them to MEF … Then there is also Indonesia and Thailand [employers' associations]. Sometimes we receive from them information concerning their format and laws. We have some cost sharing of information and learning (Interview: Koh, February 2007).

A symbolic but still important activity (Rynhart, 2004) within Singapore's corporatism was the SNEF's active participation in the Tripartite Golf Tournament. Since the 1990s, each tripartite partner took turns to organise such events to foster rapport and closer working relationships within the Singaporean corporatist framework. During such events Asian-style informal patterns of influence, and the now typical Singaporean style of closed-door consensus-seeking among top IR practitioners, flourished. The SIEU President, and a long serving member of the NTUC Central Committee, Terry Lee, shared extensive insights into the implications of such informal gatherings. In the Singaporean corporatist context, Lee explains that "prior consultation" meant closed-door consensus-seeking, which was best achieved informally,

> For example, our tripartite golf game, our prime minister and the senior minister also participates in our golf, employers coming to the tripartite golf. So these are something that are informal and very meaningful you see. Because it is about the relationship and building of the rapport … In my view, I think all these informal processes really help a lot. Take for example the prerequisite for a good labour-management relationship is prior consultation. Prior consultation in an informal way I think is good (Interview: Lee, January, 2007).

A notable event during this period was the SNEF's strong objection to the NTUC proposal to accept managers, executives and confidential staff as associate union members (*Business Times*; 15 February 1990; *Straits Times*, 21 November 1991; *Business Times*, 14 January 1995). The SNEF was concerned this proposal – to boost union (general-branch) membership – would give rise to a conflict of interest. In 1991, SNEF reported that this issue was "largely resolved" through the issuing of guidelines by the MOL on the eligibility of employees to join rank and file unions (SNEF, 1991:1). In the Singaporean corporatist context, "largely resolved" meant 'we agree to disagree'. The SNEF was not comfortable with the NTUC's proposal, particularly its American

MNC members. Nevertheless, Singapore's industrial peace – albeit a united corporatist framework – was to be preserved at all costs. The SNEF Executive Director, Koh Juan Kiat, recalled that the SNEF facilitated a special meeting to clarify the union's intention,

> When the union wanted executives to join the rank and file unions, we had a big issue with the Americans. They didn't understand this issue you see and if we don't communicate with them not so good. So we went to see the American Chamber Council of Business and EDB [Economic Development Board] organise the meeting among all the American MNCs, we explain to them what we are trying to do so that they can promptly convince their HQ. We are not trying to unionise their managers and executives (Interview: Koh, February 2007).

This approach, again, is illustrative of Singaporean corporatism in practice. This said; the event was one of the few exceptions in dealing with internal differences where public display of disagreement among key IR practitioners acted contrary to the practices of Singaporean corporatist closed-door consensus-seeking.

6.6.2 Responding to Critical Events

(a) Economic Recession, 1985 and the ERC Recommendations

It is clear that the ERC's recommendation regarding wages policy and broader labour market changes strongly favoured employer preferences. From the perspective of the SNEF, the implementation of the ERC recommendations for a flexible wage system (FWS) was an integral part of the overall solution to achieve flexible labour markets in Singapore. The nature of Singapore's open economy meant employers constantly faced competition and changes to the business environment. It provided employers with more flexibility to manage their resources, including adjusting wages to different economic conditions, which was a key solution to ensure the long term viability of businesses. Thus, during this period, the SNEF played an active role in the promotion and implementation of the FWS in the private sector.

The Federation's strategic response with regard to the implementation of the FWS was consistent with its strategic intent and maintaining its leading status. By

taking the initiative in implementing a FWS with a focus on job performance and other forward-looking management practices, the SNEF strongly signalled to every employer its key role in Singapore. Its intention was to show that the implementation of a flexible wage system required more than just adopting a flexible wage structure; it also included four key factors – effective job evaluation, fair performance appraisal to differentiate and reward top performers, flexible wage structure and finally, an appropriate attitude in dealing with staff.

Despite the initial enthusiasm and efforts, it became obvious that the corporatist actors were facing a difficult task in promoting the implementation of the FWS in the private sector in the late 1980s (SNEF *Annual Reports*, 1986-1988). One explanation is that the PAP's ideology of pragmatism had significant influence on corporatist actors, but it had not penetrated to all levels of Singaporean society. Individual employers and companies were primarily profit-orientated, and the benefits of any switch to a flexible performance-based wage system were not immediately clear. In contrast, the seniority-based wage system was well-entrenched and understood. As well, there were implementation issues. New requirements, such as jointly setting key performance indicators (KPIs), relied on employer sharing of sensitive commercial data with unions. While labour-management relations had come a long way since the 1950s and 1960s, unions and employers – particularly at enterprise-level – remained somewhat mistrustful, (for obvious reasons) of the existence of conflict of interests. Generally, employers were reluctant to share confidential information with employees and the union for fear it may be leaked to competitors or be used against management during collective agreement negotiations.

As mentioned earlier, the three key components of the flexible wage system were: implementing an annual variable component (AVC) of the wage linked to a set of

pre-determined key performance indicator (KPIs); incorporating a monthly variable component (MVC) into the wage and, finally, implementing the maximum-minium salary ratio to better reflect the true value of the job. Apart from the public sector taking the lead in implementing a flexible wage system in July 1988, progress in the private sector – particularly the incorporation of MVC into the wage structure – was slow. Because of the lack of implementation data for this period (data appeared later), details of the reasons for this mixed result appear in the next chapter.

During the early post-1985 recession years, the SNEF also followed its ERC role by representing employers in the NWC's recommendations for wage restraint. In 1987, when the Singaporean economy began recovering from the recession, the SNEF lobbied against the Government's intention to increase employers' CPF and SDF rates, and the Foreign Workers' Levy. The Federation undertook a survey of the views of its members and took the initiative by coordinating other employer's associations in making a joint submission to the Government.

Furthermore, the SNEF engaged in corporatist activities to prepare employers for the challenges that flowed from the ERC recommendations. It actively promoted the implementation of the new flexible wage systems in the private sector. Learning the lessons of the 1985 recession and committed to maintaining competitiveness and nimbleness in Singapore's open economy, the SNEF recognised the urgent need to restructure Singapore's wage system, away from its emphasis on seniority-based to a more flexible performance-based set of criteria. In this, the SNEF's priorities closely aligned with those of the ERC. Furthermore, the SNEF designed a Job Evaluation System to complement its promotion of a flexible wage system. As well, the SNEF advocated and widely promoted productivity as the key solution to sustain Singapore's

competitiveness in the prevailing tight labour market situation, particularly as upward pressure on wages manifested in the 1990s.

Another way to examine this critical event is to apply the relevant factors in Sheldon and Thornthwaite's (1999) employer association strategy model (outlined in Figure 6.4). The earlier Sections put into context the four sets of external pressures that form part of Sheldon and Thornthwaite's (1999) model. Under the first set of external pressures – "environmental influences" – the 1985 recession had triggered some strategic response from the SNEF.

Under the second factor – "industrial relations institutional structures and processes"– Section 6.3 outlined the ERC's 1986 recommendations. From 1987, the NWC shifted from quantitative to qualitative wage guidelines to encourage more widespread implementation of flexible wage systems by Singaporean employers. Furthermore, through industrial relations policies within the Singapore's corporatist framework, the focus on the promotion of flexible wages in the private sector was linked to broader Government planning to deal with the ageing workforce in Singapore and the associated rising healthcare costs.

The third factor – "Strategies of other employers' associations" – significantly declined in relevance, since the SNEF had become Singapore's leading national employers' association in 1980. As has been shown, the SNEF successfully embedded its place at numerous levels in the corporatist institutions over the decade, gaining employer legitimacy and, importantly, Government assent. Consequently, outside of the SNEF, no other employers' association had any specific focus on labour-related matters.

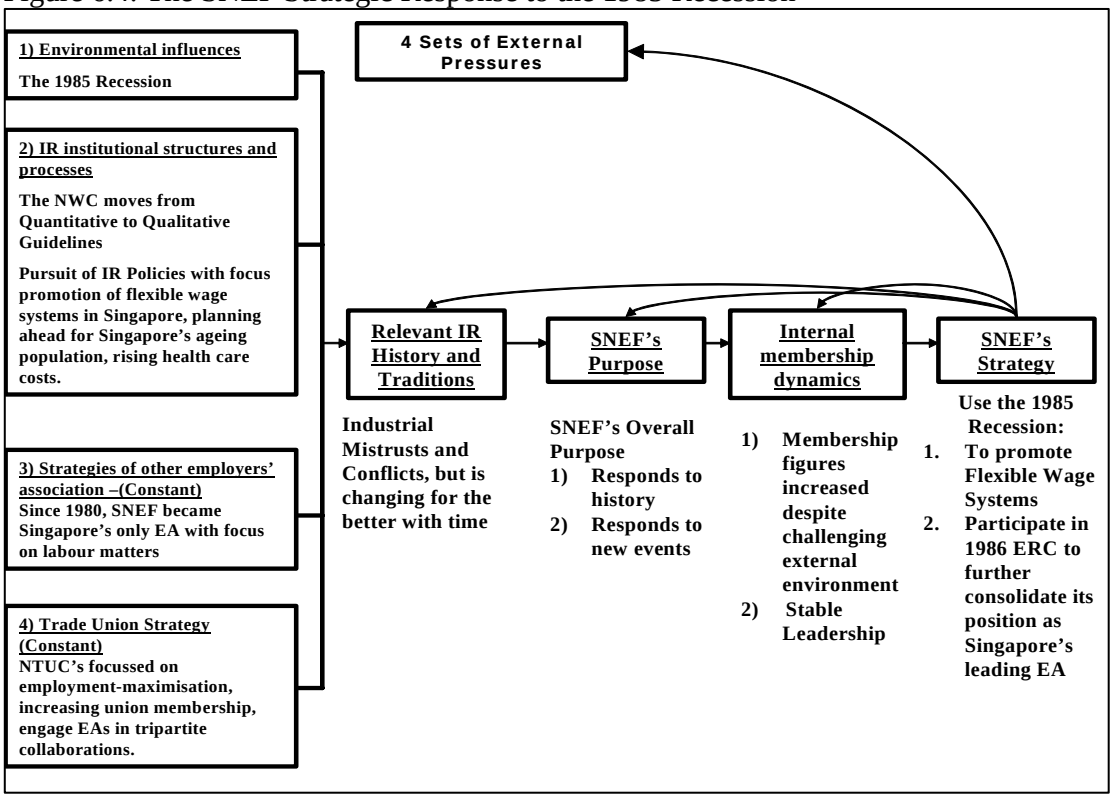
From the SNEF's perspective, the fourth factor – "Trade Union Strategy" – was a constant under the new-style corporatist framework. During this period, SNEF worked

collaboratively with the NTUC in multiple tripartite platforms, including the NTUC's proposal to admit supervisors into rank and file unions.

Next, it begets the question: How did the SNEF's internal dynamics react to the Asian financial crisis through the two lens of "relevant industrial relations history and traditions" and "SNEF's purposes"? First, labour-management relations in Singapore by 1985 significantly improved from its earlier history. Over the previous decade it was one of the key areas of collaboration and engagement successfully incorporated into the Singapore's corporatist framework (Anantaraman, 1990; Chew and Chew, 1995a; Leggett, 2005, 2007; SNEF *Annual Reports*, 1987 – 1997). The SNEF's purpose in the 1985 recession was to help members cope with this economic crisis and to prepare for future economic challenges. It relied heavily on ensuring stability in its internal dynamics (see Section 6.2).

Through analysing the SNEF's strategic response to the 1985 recession, the SNEF's behaviour may be summed up as "pre-emption, engagement and collaboration". In other words, the SNEF's strategic response was to capitalise on this event to promote the interests and roles of employers, focusing on the central role of the FWS, as well as further consolidating its own position as Singapore's leading employers' association by playing an active corporatist role within the 1986 ERC.

Figure 6.4: The SNEF Strategic Response to the 1985 Recession



Source: author analysis.

(b) Emergence of the Ageing Workforce Crisis

By the 1980s, the far-reaching implications of the PAP's successful population control policies of the 1960s and 1970s began to emerge (Bellows. 1990; Lee, 30 Jun 1988; Lim and Chew, 1998; Tan, 2004). Ironically, they were too successful, as a declining birth rate coupled with longer life expectancies, *ceteris paribus* was leaving Singapore's labour force smaller and older. The nation's rate of population increase fell from an annual average of 4.9 percent in the period 1950-1955 to 1.3 percent in the period 1975-1980. Over the same period, the fertility rate amongst women fell from 6.4 to 1.9 percent (UN Population Division, 2007: 409)[7]. Such trends, if left unaddressed, would counteract the PAP's efforts to maintain productivity growth as well as to build a world-class workforce – crucial to Singapore's economic well-being. In the longer term, this would burden the government's healthcare budget and hinder Singapore's ability to

[7] United Nations Population Division, (2007), *World Population Ageing 2007*, (UN DESA NY)

respond to structural change as older workers were more likely to resist change (Lim and Chew, 1998). But, the PAP leadership's focus in the 1980s was to retain older workers to alleviate the tight labour market. Thus, according to Tan (2004: 57), the general theme was "older workers should be encouraged to continue working as long as they were still physically fit".

By the 1990s, the focus on the issue of the ageing population took on a more urgent and different theme. The PAP Government decided to take a tougher more resolute approach as the momentum of the ageing trend grew and, businesses, particularly the non-unionised ones, were slow to raise the retirement age of their workers voluntarily. In July 1992, Labour Minister, Lee Boon Yang, announced Government's intention to raise the retirement age from 55 to 60 (*Business Times*, 1 July 1992; *Straits Times*, 1 July 1992). On the one hand, there were cost implications in hiring older workers. On the other hand, the PAP leadership was mindful that this issue would grow into crisis proportions if unaddressed (Lee; 27 June 1991; Lee, 30 June 1992 and 1993). On this issue, the SNEF's corporatist role was particularly critical.

The SNEF's external role in the ongoing issue of the ageing population – a longer- term structural challenge to the competitiveness of Singapore's economy – was becoming increasingly crucial. Although the Government and the NTUC were significant employers themselves, the PAP's policies on the ageing population would not be successful without specific employer support, particularly from the private sector.

The SNEF's involvement began with its representation on the Howe Yoon Chong Committee on the problems of the aged (SNEF, 1984). During that time, the PAP's focus was on finding ways to alleviate Singapore's tight labour market. Retaining older workers was one solution. It was soon clear that the PAP's solution

involved cost implications for employers. Despite political controversy caused by one of its recommendation, in its 54-page report, the Howe Committee laid important groundwork in dealing with Singapore's longer-term problem of the ageing population and shrinking workforce. The Report recommended that Singapore adopt a coordinated national policy to keep the aged population both physically and mentally fit. It also recommended that Singaporeans' attitude towards the aged – such as employability of older workers – should change (MOH, 1984; Quah, 1985).

From 1988 to 1992, the SNEF faced tougher PAP-induced ageing population policies – in particular, the proposal to raise the retirement age from 55 to 60. This proposal raised serious cost-related issues for employers, and potential morale problems at the enterprise-level. Younger workers would be deprived of promotion opportunities if seniors were employed for longer before retiring. This is because younger employees would have to wait longer before stepping into the shoes of older employees. Once again, in rejecting a confrontational approach, the SNEF adopted a strategic response to work within the Singaporean corporatist framework. First, it played a crucial role in initiating meetings with its members to discuss and consolidate employers' feedback over the Government's proposal to raise the retirement age from 55 to 60. Second, it demonstrated its "in principle" support for this proposal by persuading members to voluntarily adopt the extension of the retirement age. It also conveyed employers' preference not to have legislation which would stifle flexibility and that details should be a matter for negotiation at enterprise-level (SNEF, 1988; 1990; 1992). In showing goodwill from the employers, SNEF was able to negotiate concessions from the Government. Moreover, in 1992, the Government provided employers with more time to prepare for the proposed legislation. The Government's plan, then, was to gradually extend the legislated retirement age from 60 to 67 years, which involved major cost

implications for employers. These emerged from their obligation to the CPF, and concern amongst some employers that older workers would be less productive. On the former matter, the SNEF negotiated a reduction in the employers' CPF contribution for workers aged 55 to 60, from 12.5 percent to 7.5 percent, helping to alleviate employers' concerns about costs for older workers (SNEF, 1992).

By the mid-1990s, the PAP's resolve to deal with the growing problem of the ageing population was clear (Lee, 10 July 1996). Howe's 1984 call for a coordinated national policy in dealing with this critical demographic issue was in full swing. This thesis has focused on the HR and IR aspects of this issue. From 1995 to 1997, the SNEF represented employers in a tripartite committee set up to discuss the implications of employing workers over 60. These included the suitability of jobs for older workers, compensation, training and development and the effects of longer employment on a company's career development and succession plans. By July 1997, the tripartite committee released its report on the extension of the retirement age. Retirement age would be raised to 62 years on 1 Jan 1999. Once again, working from within the corporatist framework, the SNEF was able to gain some concessions on behalf of employers. To moderate the cost of employing older workers, employers' CPF contributions for workers aged 60 to 65 years would be further reduced from 7.5 percent to four percent and those aged 65 years and above would be reduced from five percent to four percent. Employers were also permitted to reduce by up to 10 percent the wage costs in respect of workers employed beyond the age of 60 years. The committee also recommended a cap in retrenchment benefits, the adoption of the base-up wage system and an alternative medical benefits scheme to further contain the costs of employing older workers (SNEF, 1995; 1997; *Straits Times*, 8 August 1995). In summary, this critical event provided the SNEF with further opportunities to collaborate in the

development and implementation of national policy consistently with the interests of business. In addition, this improved working relations with its corporatist partners, and consolidated the Federation's status.

6.7 Summary and Conclusion

The discussion in this chapter addresses the context and strategies of the SNEF over the decade following the mid-1980s recession in Singapore. This chapter began with Singapore's management of its first recession since independence. The high-level Economic Review Committee (ERC), chaired by Lee Hsien Loong, triggered a series of policy changes to regain Singapore's diminished competitiveness. The main finding of the ERC Report was Singapore's open economy which urgently needed a more flexible wage system to counteract intensifying regional and international competition. From 1987, the corporatist actors' work centred on wage reforms to move Singapore from the relatively rigid seniority-based wage systems to a flexible performance-based wage system (Lee, 19 January 1987). A leading role was taken by the public sector in implementing the new wage systems in 1988. The SNEF played an active role in promoting the new wage system in the private sector, with mixed results. This mission provided a common platform for the corporatist actors to work with each other, not only strengthening their relationships, but also the institutions of the Singaporean variant of corporatism.

From 1987 to 1997, the hive of activity centred around the promotion of flexible wage systems in Singapore and preparing Singapore for challenges in the twenty-first century. The new challenges included a maturing economy with rising business costs in a highly competitive environment, and the implications of an ageing population aggravated by declining birth rates and rising healthcare costs. Here, the SNEF's

strategic response towards the PAP-induced ageing population policy brought several concessions for employers.

Over this period, the SNEF became deeply entrenched within the Singaporean corporatist framework. In turn, in working closely with its corporatist partners on national economic goals, the SNEF continued focusing on helping members cope with new external challenges. In summary, this was again consistent with the SNEF's strategic intent, achieved through harmonising its internal dynamics and external roles.

The next two chapters turn to the fifth period of Singapore's industrial relations development. During this period – from the post-Asian financial crisis in 1998 until post-SARS in 2004 – the PAP and its corporatist framework actively prepared the Singaporean workers and employers for new challenges. The central questions pertaining to the roles played by the SNEF during this period will be examined.

CHAPTER 7

CHALLENGES IN THE NEW MILLENNIUM

1998 -2004

7.1 Introduction

This chapter examines the context of the fifth period identified in the analysis of the development of the SNEF – between 1998 and 2004. It focuses on Singapore's political economy and industrial relations. Between 1998 and 2004, Singapore averaged annual GDP growth of 4.2 percent, with average annual inflation of 0.5 percent (see Appendix 1). This stands in stark contrast with the previous period. As the PAP and Singapore's other corporatist actors foreshadowed, this was an eventful period filled with economic challenges. First, the 1998 recession followed soon after the 1997 East Asian Financial Crisis. The latter briefly disrupted Singapore's preparation for a transition to a knowledge-based economy through growth in manufacturing and services (MTI, 1998; Rodan, 2002; 2006). Second, Singapore had barely recovered from the 1998 recession when two critical events – the "dotcom crash" and the "9/11" (11 September 2001) terrorist attack in the US – contributed to Singapore's third recession in 2001.

Since the late 1990s, the world had witnessed the proliferation of Dot-Com[8] technology companies. The Dot-Com bubble eventually burst in 2000, leading to large losses for US technology stocks (*BBC*, 15 December 2000; 2 January 2001; 13 March 2001). This set off a domino effect around the world's stock markets, including Singapore. The 2001 terrorist attack dramatically shifted the world's geopolitical outlook, as well as affecting how businesses were conducted. Its ramifications

[8] Dot-Com refers to companies who conduct most of their business through the internet, usually via a website.

particularly affected insurance, travel, and the hospitality and security industries which were crucially important to Singapore's economy.

However, Singapore's problems did not end with the two recessions. The early years of the new millennium tested the effectiveness of the PAP's existing policies, and the resilience of the Singaporean corporatist framework. As in the previous period, Singapore continued to face intense competition from other Asian economies, particularly China and India. Additionally, Singapore's role as a key Asian transportation hub came under fierce competition from Malaysia. Then, from November 2002 to July 2003, Severe Acute Respiratory Syndrome (SARS) spread from China to other parts of Asia, Canada and the US. This had a severe impact on Singapore's open economy.

The literature on Singapore's industrial relations describes this period as one of significant changes sparked by such critical events, leading to an overhaul of Singapore's employment relations. Leggett (2007) identifies this period with a progression to manpower planning, where investment in HRM was crucial in preparing Singaporeans for a knowledge-based economy in an increasingly globalised world. Mindful of PAP's overall strategies, Rodan (2006: 137-138) concludes that there was "an enthusiastic official embrace of globalisation and the so-called New Economy in Singapore, which gave rise to increased economic liberalisation and governance reforms". Nevertheless, he sees this liberalisation as the start of "a new phase of state capitalism rather than [a retreat] from it". From this viewpoint, any tensions emerging in the process required "political accommodation and associated institutional changes" that left PAP still in control of strategic elements of Singapore's political economy.

The following sections examine critical events which outline the context assessing the nature of the period.

7.2 Economic Recession, 1998

Singapore's second recession, in 1998, was a critical event from many perspectives. While both external and internal factors contributed to Singapore's 1985 recession, external factors beyond the control of the PAP and its professional civil service, caused this recession. In particular, despite Singapore's own strong economic fundamentals, the adverse effects of regional recessions in the aftermath of the 1997 East Asian Financial Crisis, flowed on to Singapore. After a decade of uninterrupted high growth, GDP fell from 8.3 percent in 1997 to minus 1.4 percent in 1998 (see Appendix 2).

Once again, this recession revealed the vulnerability of Singapore's open economy compared to larger countries that relied on domestic demand to boost economic activity. For their part, PAP and other central industrial relations institutional practitioners recognised that Singapore's recovery depended on exports. In turn, an export-driven recovery strategy entailed attracting more trade-seeking FDI, given that Singaporean labour was no longer low-cost and new FDIs were seeking highly skilled workers. This accelerated the momentum for restructuring Singapore's economy. At the same time, it brought changes to Singapore's industrial relations.

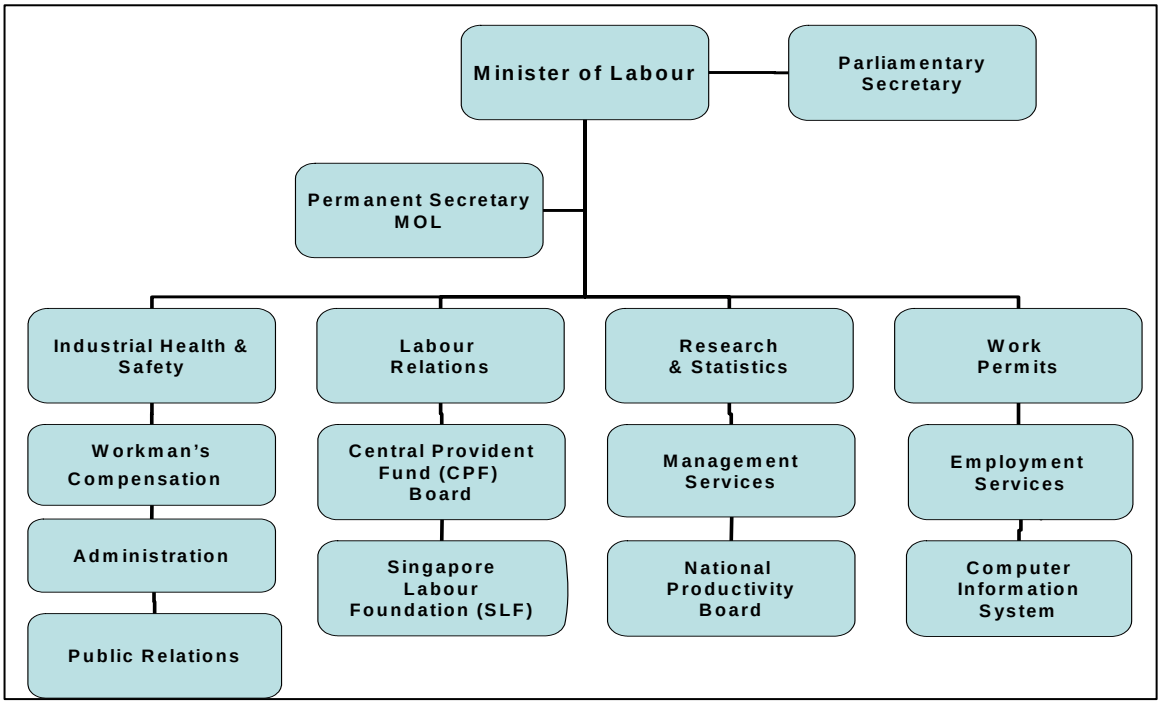
On 1 April 1998, the Government renamed the Ministry of Labour (MOL) the Ministry of Manpower (MOM). It was a symbolic step in the context of Singaporean corporatism. It signalled the need for that organisation to develop and coordinate Singapore's national manpower strategy – MANPOWER 21 – in the new millennium. Until then, MOL's main focus had been on promoting harmonious industrial relations through managing policies for the broad category of 'labour'. This role included enforcing workers' occupational health and safety (OHS), and creating a productive workforce, as well as enforcing worker permit laws. While these objectives remained

important, MOM took on the new role of developing a workforce which is globally competitive and able to meet the varied demands of a new knowledge-based economy

The importance of this new role is evident if we compare the organisation charts of the old MOL and the new MOM (see Figures 7.1 and 7.2). In particular, through newly created divisions – including Manpower Augmentation, Manpower Development and Manpower Planning – the new MOM became Singapore's 'national human resource department'. It was tasked with propelling Singapore into a "Talent Capital" based on the principle of lifelong learning for lifelong employability – the goal of MANPOWER 21 (Hing, 2006; Leggett, 2007[9]). In contrast, labour relations emerged as only one area of a broader agenda of actively managing the national workforce. The new tasks entailed a three-pronged approach: First, a review of Singapore's existing human capital management (HCM) capabilities and employment practices and to establish benchmarks against international best practice standards. Second, implement measures to promote progressive human capital management practices for the development and better mobilisation of a globally competitive and innovative workforce. Third, to implement measures to develop a professional and responsive manpower industry infrastructure capable of supporting HCM development. For employers and SNEF, MOM's new role extended into enterprise-level human resource development (HRD) but it also created opportunities to develop new synergies. Primarily, this meant employers could reap benefits from economies of scale in terms of lower training costs and sharing national resources in HRD.

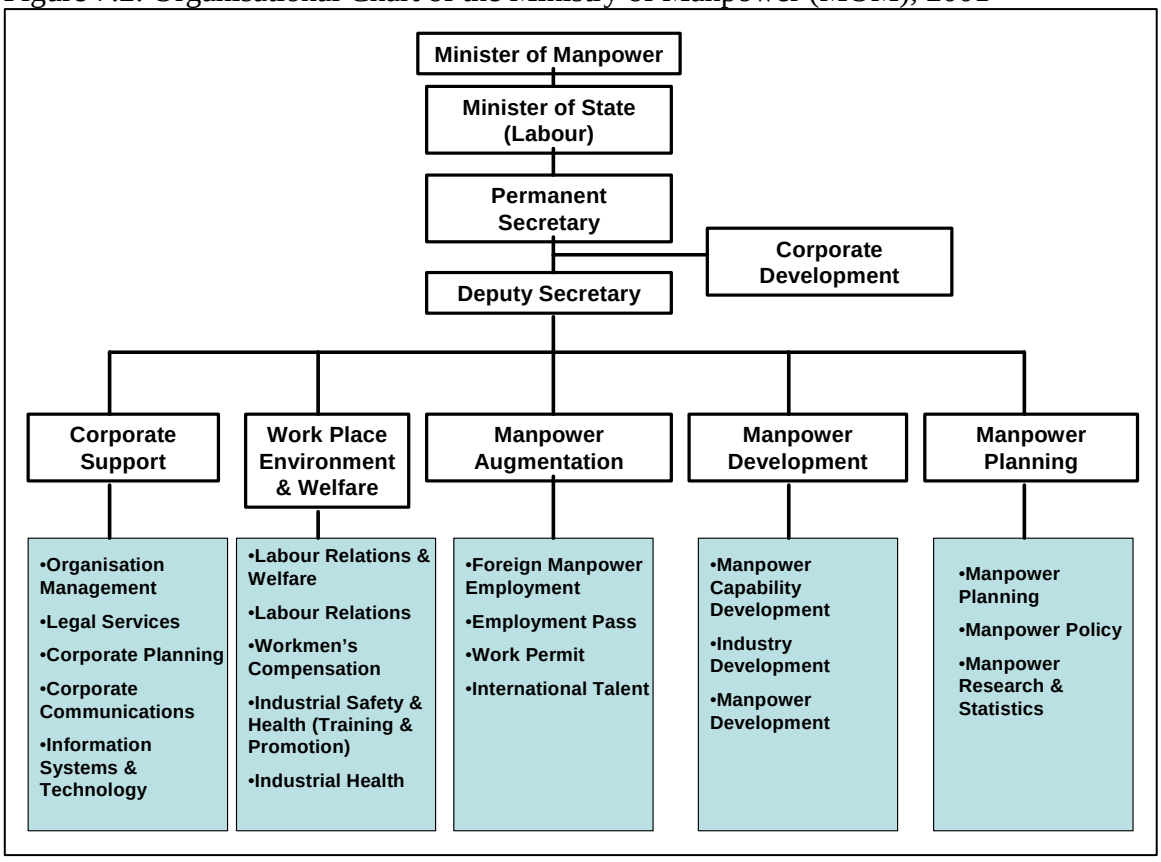
[9] See Leggett (2007) for details on the transformation from industrial relations to manpower planning since 1997.

Figure 7.1: Organisational Chart of the Ministry of Labour (MOL), 1983



Source: MOL (1983: 5)

Figure 7.2: Organisational Chart of the Ministry of Manpower (MOM), 2001



Source: MOM (2001: 3)

In May 1997, the PAP formed a high-level Committee on Singapore's Competitiveness (CSC) to "assess Singapore's economic competitiveness over the next decade and propose strategies to strengthen Singapore's competitive position" (Ministry of Trade and Industry, 1998: 1). However, the unforeseen arrival of the Asian Financial Crisis in July 1997 resulted in a change of focus for CSC. In this process it played two critical roles for policy. First, recommending measures to counteract Singapore's existing recession and, second, recommending measures to strengthen Singapore's competitiveness in the long run.

In November 1998, the CSC delivered its policy recommendations drawing on the successful Singaporean experience of managing the 1985 recession (MTI, 1998). The recommendations included a focus on restoring Singapore's eroded cost competitiveness, primarily caused by the stronger Singaporean dollar (Goh, 23 August 1998). The CSC advocated tax cuts, utilities rebates and making credit more readily available to local businesses. At the same time, the CSC realised that the crisis also provided opportunities for the country. In particular, the CSC sought to emphasise Singapore's stable political system and harmonious industrial relations to position the country as an attractive destination of choice for new investment in Asia. Moreover, a major component of costs to business was wages, measured in terms of relative unit labour cost. While the CSC looked at the immediate demands of policy, it was the NWC that needed to play a critical role in improving Singapore's relative unit labour cost. Details and implications of NWC's recommendations appear in the next chapter.

The 1997-1998 crisis also presented an ideal opportunity for promoting the new flexible wage system (FWS) in the private sector. In fact, the recession was the first important test for the FWS. Flexibility in wage setting had been the priority of the NWC and principal industrial relations practitioners since 1988. As set out earlier, the FWS

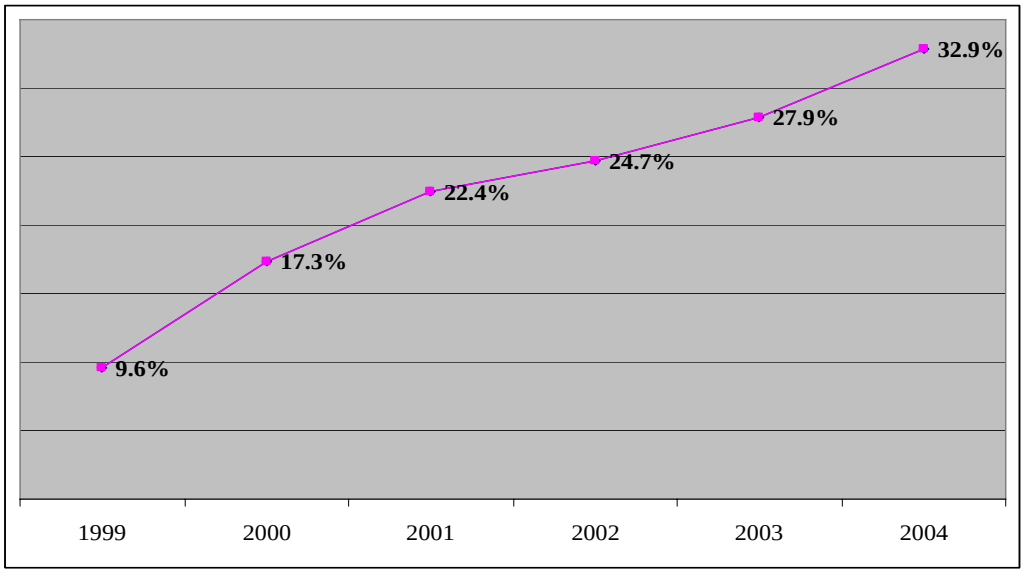
was seen as an important vehicle by employers, to quickly adjust and cut wage costs during economic downturns. Second, through the FWS, the NWC hoped to incorporate the principle of productivity growth rising faster than wage increases and so overcome fundamental design flaws in Singapore's earlier seniority-based wage systems.

However despite its quick introduction by the public sector from 1 July 1988, private sector employers showed significant ambivalence. Their reluctance meant a very slow uptake, with negligible progress before 1998. Less than ten percent of firms were using a MVC component. This was surprising given that a pro-employer flexible wage system was an important policy goal for employers around the world (De Silva, 1997; Katz, 1993; Pontusson and Swenson, 1996; Streeck, 1987). The 1998 crisis changed this, by prompting employers to consider a more active role in managing wage costs. The proportion of companies in the Singapore workforce paying the MVC – a key component of the FWS – rose 9.6 percent in 1999 to 32.9 percent in 2004, based on MOM survey data (3,062 establishments, minimum 25 employees) (MOM, 2006:7, see Figures 7.3).

The change in employers' practice after 1999 suggests not only that the 1998 recession was the impetus in adopting the FWS, but that the corporatist framework directly affected the pace and pattern of diffusion of the MVC. While apparently counter-intuitive, the impact of unionisation was very positive for the FWS (see Figure 7.4). Thus, contrary to evidence from other countries, the unionised sector in Singapore had higher rates of adoption. The gap in take-up grew larger over time – almost three fold – from 14.4 percentage points in 1990 to 54.5 percent in 2004, so by this time the coverage of employees working under a MVC was nearly five times greater in unionised firms. In short, the most obvious explanation for this pattern is the extensive

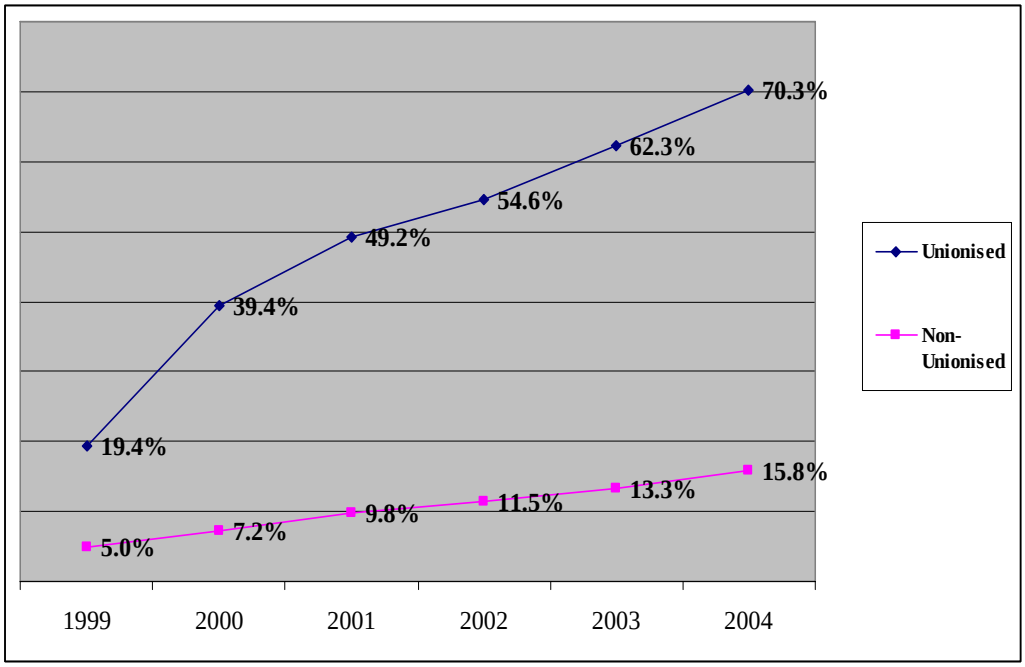
top-down influence the Singaporean corporatist framework exerted via the NTUC and SNEF in the unionised sector, which grew during this period.

Figure 7.3: Proportion of Employees in Establishments with the MVC



Source: MOM (2006: 27).

Figure 7.4: Proportion of Employees in Establishments with the MVC by Union Status



Source: MOM (2006: 27).

The question here is: Why were employers reticent to adopt FWS prior to 1998? The MOM survey identifies the three main responses as industry practice (i.e. reason A), complexity (reason B) and, employee disruption (reason C) (MOM, 2006:32, see

Table 7.1). These responses suggest a general employer orientation to maintain the status quo in a context of a continuing boom; skilled/educated labour was in short supply and workplace IR harmony was seen as crucially important.

Table 7.1: Reasons for Companies not implementing the MVC

Reason	Main Reason for not introducing MVC	All Firms (%)
A	Establishments in my industry have not implemented MVC in their wage structure	22.4
B	Wage Structure may be made too complex	15.7
C	Employees may not be receptive to the introduction of MVC	15.6
D	Introduction of MVC is not in line with HQ's wage structure	11.8
E	Implementation and monitoring work are administratively burdensome	9.4
F	Establishment is able to cut basic wages without introducing MVC	8.7
G	Difficult to work out implementation guidelines (e.g. under what circumstances employer can cut MVC)	8.7
H	Establishment's wage structure is already flexible (e.g. sizeable component of the wage is commission based)	6.9
I	Others	1.0
	Total:	100.0

Source: adapted by the author from MOM (2006: 32).

Overall, private-sector employers appeared to adopt a 'wait and see' attitude (Chia, 19 July 2003; Chuang, 30 July 2003). This was despite active promotion of the FWS policy by PAP and key industrial relations practitioners for over ten years. Of course in economic terms, private-sector companies simply did not see sufficient benefits in changing their existing wage systems. Employers' views centred on two broad factors – first, existing practices and wage systems, which were seen as effective (reasons A,D,F,H, 49.4 percent), and second, cost, where additional costs were deemed unacceptable (reasons B,C,E,G, 49.4 percent). This is also suggested by the widening gap in the adoption of FWS between the unionised and non-unionised companies over time (see Figure 7.4). Without the combined influence of the NTUC and the SNEF, diffusion in the non-unionised sector remained very low, covering only one in seven

employees of these firms. In contrast, almost three in four employees were covered in unionised firms by 2004.

The 1998 recession also revealed that the resilience of Singapore's new-style corporatism had not happened by chance. This crisis was a second major test – following the 1985 recession – for Singapore's new-style corporatist framework from the formation of the SNEF in 1980. Over these two decades, the *modus operandi* of decision-making was one of consensus-seeking rather than either majority vote or directive fiat by a dominant corporatist partner. Time and again, this *modus operandi* proved to be instrumental in enabling the PAP, and the central institutional industrial relations practitioners, to implement harsh policy measures without facing serious political repercussions.

Several interview respondents provided valuable insights into this important feature of the Singaporean corporatist framework. A prominent NTUC union leader and Ex-CEO of the Singapore National Cooperative Federation (SNCF), Leow Peng Kui, attributed the success to it being a "system of accountability" and transparency for stakeholders making it clear that PAP's tough policies would bring about a "bigger good" and that it did not just "enrich any individual" (Interview: Leow, January 2007). The SNEF President, Stephen Lee, explained that in Singapore, "we have an open system, we are able to discuss fairly sensitive issues quite openly" (Interview: Lee, February 2007). In this context "quite openly" referred to consensus-seeking processes among central institutional industrial relations practitioners taking place "openly", albeit behind closed-doors. The SNEF Executive Director, Koh Juan Kiat, added, "a consensus view is a 100 percent commitment, but maybe only 70 to 80 percent implementation" (Interview: Koh, February 2007). In a similar manner, this meant that all stakeholders in the corporatist framework were committed to a consensus view at the

national-level, although flexibility would result from how the parties implemented those policies at the enterprise-level. This was obvious from the MOM survey data on the non-implementation by employers of the FWS. The SNEF ex-manager, Chia Boon Cher, summed up the Federation's perspective on this consensus-seeking,

> Industrial relations in Singapore are built on consensus. And consensus takes time. It doesn't mean that we have to go along with what everything the government says. But the government may signal certain directions and for us [SNEF], you must remember that we represent the voice of the employer. We may not be able to tell the government what to do but at the end of the day, we do have influence over the government and tell the government the bulk of the employers are not prepared to accept certain things (Interview: Chia, December 2006).

The slow take-up of the FWS in the private sector prior to the 1998 recession occurred because most individual employers thought the costs outweighed the gains and would leave their firms at a disadvantage relative to their sectoral competitors. The recession changed the balance of this assessment as FWS allowed employers to quickly reduce labour costs in face of greater cost competition. As more firms adopted the MVC, the 'wait and see' view weakened, especially so in unionised firms, where the implementation almost doubled in a year, although it rose 50 percent in the non-unionised sector from a low base. Singapore quickly recovered from the recession by mid 1999 (Huxley, 2001; Rodan, 2002; 2006), with some rise in retrenchments and unemployment. With this new capacity for employers to reduce costs more promptly, the CSC policy execution was seen as effective. However, this was to be only the beginning of an eventful period for Singapore. The ensuing section analyses more critical events in the new millennium.

7.3 The Dot-Com Boom and Crisis

During the initial post-recession years – 1999 and 2000 – Singapore's GDP grew at 7.2 percent and 10.1 percent respectively. Meanwhile, the global economic and

geopolitical landscape was changing rapidly. First, the spread of new information communication technologies (ICT) continued to make great gains in efficiency and productivity with more expenditure around the year 2000 (Y2K) issue. ICT brought changes to products, processes and operations world-wide – covering digital imaging, liquid crystal display (LCD) screens, plasma televisions, flash drive technology enabling new portable music products, transferability of data via thumb drives, and many other innovations.

New challenges in product and labour markets, resulting in structural problems, faced organisations, and developing solutions took time. The Internet, mobile phone usage, and dot-com firms emerged – interest-based and technology-related companies – fuelling increasing demand for more powerful semi-conductors, technological know-how and related supporting industries. In short, the term, the knowledge-based economy, gained widespread currency, leaving questions on its content.

In many countries, euphoric sentiments fed the knowledge-based economy currency. Stock values of technology-related and dot-com companies soared beyond their economic fundamentals, fuelling the "dot-com bubble". In 2000 the bubble burst. It triggered devastating effects on stock markets, particularly technology stocks around the world. Many countries, including the US, experienced recessionary conditions to the detriment of Singapore's economy (*BBC*, 15 December 2000, *BBC*, 2 January and 13 March 2001).

7.4 Regional Political and Economic Challenges

Geopolitically, Singapore's delicate relations with her two neighbours – Malaysia and Indonesia – changed for the worse. In particular, in the aftermath of the East Asian Financial Crisis, a number of incidents adversely affected its bilateral relationship with the two neighbours. In particular, there was the controversial mass

transfer of private capital by ethnic Chinese Indonesians from Indonesia to Singapore, and 'delays' over Singapore's financial aid to Indonesia. As well, unguarded remarks by the Minister Mentor[10] Lee Kuan Yew, on high crime rates in the Malaysian State of Johor Bahru, caused offence, quickly leading to a sudden downturn in Singapore's relationship with its other neighbour (Lee, 1999; Rodan, 1998). But, economic success in Singapore continued to underpin its domestic social and political stability (Huxley, 2000).

Another significant event was Malaysia's resolve to challenge Singapore's status as Asia's leading transportation hub (Goh, 18 August 2002). In March 2000, Malaysia launched the Port of Tanjung Pelapas (PTP) – just 22 kilometres from the Singaporean container port operations of the PSA Corporation[11] – announcing its intention to compete with Singapore for transhipment business. In the previous year, the PSA Corporation handled some 25 percent of the world's trade volume, with a throughput of 17 million twenty-footer (equivalent) unit (TEUs) containers, in connecting to 600 ports in 124 countries.

An immediate effect of the Malaysian challenge was its success in attracting the PSA's biggest customer and the world's biggest container shipping line, Maersk Sealand, to take up a 30 percent stake and a role in managing the Port of Tanjung Pelapas. The PSA lost two million TEUs – or nearly 12 percent – of its annual business. More significantly, Maersk Sealand's termination of its loyal, thirty-year relationship was only the beginning of the PSA's problems. This event coincided with a worldwide recession in 2001. In that year the PSA's Singapore terminals experienced an 8.9

[10] The PAP has created two titles; 'Senior Minister' and 'Minister Mentor', to allow retiring Prime Ministers to continue provide advice to the government. To date, this scheme applied to Lee Kuan Yew (who is currently the Minister Mentor) and Goh Chok Tong (who is currently the Senior Minister).

[11] PSA is now a trading name for the Port company owned by Temasek Holdings. Since its corporatisation in 1997, PSA is no longer the Port of Singapore Authority. Its original port supervision role has since been taken over by the Maritime Port Authority of Singapore (MPA).

percent fall in annual container volume to 15.52 million TEUs. In August 2002, the PTP gained further momentum by attracting the PSA's second biggest customer – the Evergreen Marine Corporation – to Malaysia. For the PSA, this represented an additional loss of 1.2 million TEUs in business annually. In the same period, the PSA's Chairman, Dr. Yeo Ning Hong, announced his 'retirement' (*Business Times*, 16, 18 July 2002), as the already tense bilateral relationship between Singapore and Malaysia further deteriorated (BBC, 23 April 2002; Case, 2003). The PTP terminal charges were 30 to 60 percent lower than the PSA. And, in successfully winning away the PSA's two major customers, the PAP viewed the situation as a serious challenge "to Singapore's regional pre-eminence as a transhipment centre" (Case, 2003: 173).

More broadly, the rest of Asia was also changing. The continuing rise of China and India was diverting FDI from Southeast Asia to North and South Asia (Goh, 19 August 2001; Goh, 18 August 2002). Knowing Singapore's open economy would be adversely affected, the PAP rallied Singaporeans to rise to these challenges. On consecutive Prime Minister's *National Day Speech Rallies* in 2001 and 2002, Singapore's then Prime Minister, Goh Chok Tong, stressed to Singaporeans the opportunities in the rise of China and India,

> I have seen China's transformation at close quarters. It is scary…you will be astonished by how quickly they have learnt and caught up. They write softwares for Microsoft. They are into life sciences and bio-medical engineering. They have even succeeded in making their toilets at tourist attractions shinier and cleaner than ours. Our biggest challenge is therefore to secure a niche for ourselves as China swamps the world with her high quality but cheaper products … As China develops and exports more, its imports will grow too. There will be many opportunities for other countries to trade with China and for foreign companies to invest in China. We must grasp these opportunities (Goh, 19 August 2001).

Reaffirming, in the following year, that the rise of China presented opportunities for Singapore,

> My response is: see China as an opportunity, not a threat. If we view China as a threat, we will be immobilised by fear. But if we see it as an opportunity, we will come up with creative ideas to ride on China's growth (Goh, 18 August 2002).

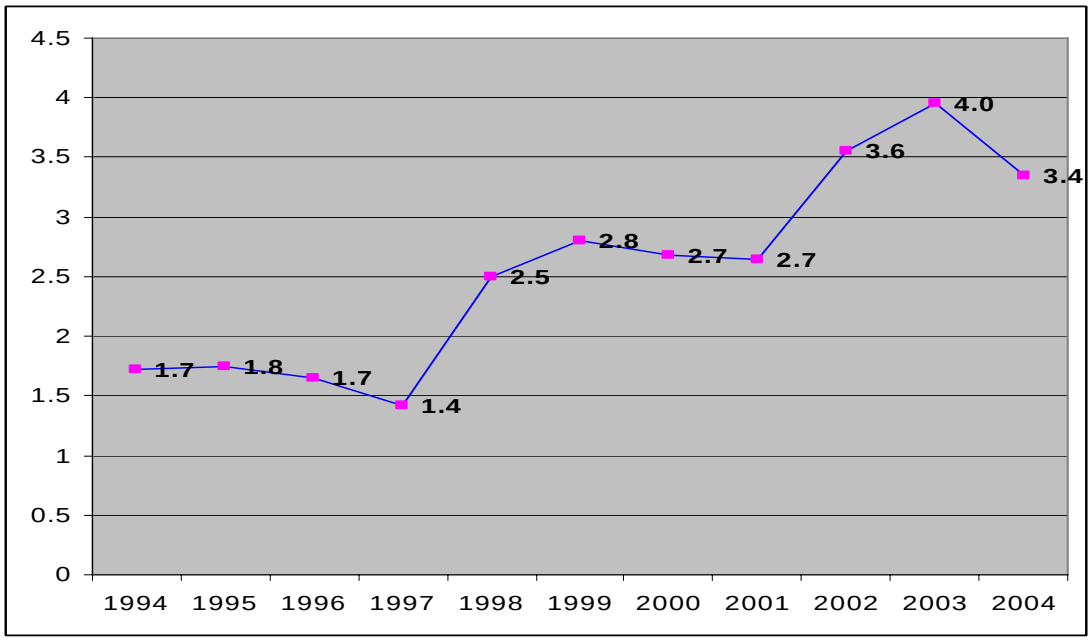
As well, the PAP and its corporatist partners began preparing Singaporeans and businesses to seek opportunities to capitalise on the growth of China and India. The NTUC initiated a series of exploration and learning visits to China and India for Singapore's labour union leaders. In turn, these grassroots leaders shared with their fellow workers their first-hand experience of the vibrancy of China's economic activities, as well as stories of lower wages and hardworking labour in China and India (Osman, 11 December 2004; *Straits Times*, 22 September 2003). The Ministry of Trade and Industry (MTI) also organised multiple trade and investment trips to China and India. Singapore's Economic Development Board (EDB) hosted Chinese and Indian trade and investment delegates to encourage FDI from these two countries.

7.5 The 9/11, Global Economic Downturn and Economic Recession, 2001

Despite challenges, the initial projection for Singapore's economic growth in 2001 was in the range of 5 percent to 7 percent (Huxley, 2002), having grown 10.1 percent the previous year. Then, on September 11 2001, surprise terrorist attacks on multiple strategic locations, struck the US. Several industries immediately suffered a severe downturn, especially those associated with travel, already suffering under international recessionary conditions. As a leading transportation hub in Asia, Singapore was badly affected. By the end of 2001, Singapore slumped into its third and worst post-independence recession. The forecast growth, cited above, soon disappeared, with GDP contracting by 2.4 percent for all of 2001. Overall, the grim global economic outlook could only further damage Singapore's near-term economic prospects (Asian Development Bank, 2002). Despite the PAP's grim predictions that the recession would

deepen in 2002 (Huxley, 2002), Singapore registered GDP growth of 2.2 percent in 2002, although economic sentiment remained bleak (ADB, 2002). In particular, unemployment rates continued to rise, from 2.7 percent in 2001 to 3.6 percent in 2002 and further the following year (see Figure 7.5). Although very low by international standards, this increase in unemployment was, nevertheless, of concern to the PAP Government, given the long-standing expectations generated by Singapore's top-down corporatist system and its concerns over the prospect of instability and its possible political implications.

Figure 7.5: Unemployment Rate in Singapore, 1994-2004 (percent)



Source: adapted by author from MOM, 2008 (Retrieved 31 July 2008, from http://www.mom.gov.sg/publish/momportal/en/communities/others/mrsd/statistics/Unemployment.html)

In response to this geopolitical instability, the PAP decided to bring forward Singapore's election, originally planned for 2002. In November 2001, the PAP returned to office, winning 27 of 29 of the seats contested. Overall, the PAP won 82 out of 84 seats, securing 75 percent of the vote. In December 2001, encouraged by this overwhelming mandate at the polls, the PAP quickly set up the high-level Economic Review Committee (ERC) chaired by Deputy Prime Minister Lee Hsien Loong. The

ERC had a mandate to revive Singapore's economy from recession and identify new directions for future growth. Nevertheless, unpredictable shocks from outside Singapore continued to challenge the nation's stability, harmony and prosperity.

Economic uncertainty and bleakness continued for Singapore into 2002. Several industry sectors including, tourism, electronics, construction, property, and retail lagged behind the general recovery process. Overall, unemployment continued rising and consumer sentiment remained gloomy (see Figure 7.5; ADB, 2002). The Singaporean port industry, and the PSA's prospects continued to deteriorate.

Several PAP leaders fuelled negative sentiment by making sombre speeches to prepare Singaporeans for more uncertainty and low economic growth. The most significant message was that lifelong employment – termed 'the iron-rice bowl' in the East Asian context – in Government-linked companies and the civil services could no longer be guaranteed (Chen, 7 July 2000; Lee, 22 August 2004; Yeo, 6 April 2001). Accordingly, the PSA became the first of the GLCs to undergo major retrenchments and wage restructuring (*Straits Times*, 18 February 2003). As some writers observed (Case 2003:169), when the population long accepted curbs on political rights "in return for economic benefits", it was bitter news when the latter "could no longer be guaranteed", particularly when they had returned the PAP to power with an overwhelming mandate to help them overcome the deep recession.

At the same time, the PAP leadership was concerned over "fair-weather" Singaporeans, that is, Singaporeans emigrating overseas and creating the momentum for a "brain-drain" from Singapore (*Straits Times*, 24, 30 and 31 August and 27 September 2002). At the 2002 Prime Minister's National Day Rally, Goh Chok Tong, sparked heated debate in Singapore referring to "Stayers" versus "Quitters",

> Fair-weather Singaporeans will run away whenever the country runs into stormy weather. I call them "quitters". Fortunately, "quitters" are in the

> minority. The majority of Singaporeans are "stayers". "Stayers" are committed to Singapore. Rain or shine, they will be with Singapore. "Stayers" include Singaporeans who are overseas, but feel for Singapore. They will come back when needed, because their hearts are here. The Singapore nation is not just those of us living here, but also the thousands of loyal Singaporeans who live around the world. Let me stress that I am not criticising all Singaporeans who have emigrated. But I take issue with those fair-weather Singaporean who, having benefited from Singapore, will pack their bags and take flight when our country runs into a little storm (Goh, 18 August 2002).

Once again the PAP and its corporatist partners quickly addressed new policy needs. First, the PAP embarked on major restructuring of statutory boards and government departments to realign the focus of the various government ministries. In April 2002, the PAP renamed the Productivity Standards Board (PSB) the Standards, Productivity and Innovation Board, termed "SPRING Singapore", to signify the shift towards an innovation-driven economy, and a new role in promoting creativity for sustaining economic growth. As well, the PAP renamed the Trade Development Board (TDB) as International Enterprise Singapore (IE Singapore) to help Singapore-based companies expand overseas (*Straits Times*; *Business Times*, 13 April 2002). At the same time, the PAP formed the Singapore Business Federation (SBF) – a statutory initiative establishing a Singaporean chamber of commerce for the purpose of further fostering the Singaporean business communities' trade expansion and networking overseas (*Channelnewsasia*; *Straits Times*, 12 April 2002). In July 2001, under the *SBF Act*, it was mandatory for all companies with a paid-up capital of half a million Singaporean dollars to become SBF members (MTI, 22 February 2007). Moreover, by appointing the SNEF President, Stephen Lee, as the SBF's first Chairman, it established a trusted, formal and personal link to the new institution.

According to the SBF Chairman, the new body would have two major areas of work: trade and investment and labour-management relations (*Straits Times*, 12 April 2002). Important to this thesis, Lee's mention of labour-management relations

immediately raised the question as to whether there was to be an overlap of functions between the SNEF and the SBF. When interviewed, Stephen Lee and Ong Yen Her, MOM Divisional Director of IR, revealed that the SNEF and the SBF retained clear and segregated key activities,

> I understand that their [SBF] focus is more on business, business opportunities, networking and things like this. Whereas SNEF is more IR, human resource development. In one aspect, you can look upon it as complementary … People like Koh Juan Kiat, I think is a Executive Director for both [SNEF and SBF]. So SNEF apart from providing services to its members, now also provides services to any members under SBF. So it's ok. Here again, personality matters. If SBF is to be led by someone else, it may be different (Interview: Ong, January 2007).

According to Stephen Lee,

> SBF is not going to develop its own IR arm. It's not like trade promotion [which is the primary objective of SBF], that part of the work in IR is more specialised. And the working partners of the IR are clearly identified and there is an established relationship. So I think SNEF is very relevant. But the nature of the IR work has changed over the years, from wage-related type of negotiations to more of working together to prepare for the next economic trend (Interview: Lee, February 2007).

From the viewpoint of the top-level of Singapore' corporatist framework, this development marked an important expansion. Lee's joint roles as the SBF Chairman and the SNEF President were complemented by Koh's roles as the SNEF Executive Director and as the SBF Executive Director. Moreover, several directors held joint membership of the new SBF Board of Directors and the SNEF Council. These cross-appointments, at the apex of the Singaporean business power structure, where a clear strategy to increase effectiveness and control of the agenda and activities of the bodies. They add support to contemporary observations that the incorporation of individuals from business backgrounds into a hybrid system, proliferated the control of the PAP Government (Hamilton-Hart, 2000). Within this system, these individuals and their business interests "received their protection and also, to a certain extent, structured their behaviour" (Hamilton-Hart, 2000: 206). Other researchers offer similar observations in

describing the Singaporean state's hegemonic behaviour in Gramsci's terms, as assimilating the society's most capable leaders and political groups, wherever they came from, and shaping their behaviours to retain control and power (Chong, 2006; Sim, 2006; Tanaka, 2002; Worthington, 2003: 63). PAP had again responded quickly and creatively to economic stresses generated overseas as they continued to arrive.

7.6 Severe Acute Respiratory Syndrome (SARS)

In November 2002, the Severe Acute Respiratory Syndrome (SARS) – a viral disease causing a potential pandemic with high fatality rates – began in China's southern Province of Guangzhou, and soon spread to Singapore, and many other countries. SARS drastically affected Singapore's economy and the daily lives of Singaporeans. At the business level, tourism and transport-related industries again suffered severely, including hotels, food and beverages, retail, airlines and other modes of public transport. Business activities, such as conferences and exhibitions, were immediately cancelled. Companies scrambled to install business continuity/contingency plans. In terms of everyday activities, Singaporeans avoided travelling in public. Employers encouraged their staff to work from home or cut short their working week. Overall, in 2003, the MTI revised Singapore's economic growth forecast from the two to five percent range down to 0.5 to 2.5 percent. Even this was considered optimistic, given that it assumed that Singapore would contain the outbreak domestically, and the situation would not escalate into a pandemic (Lim et al. 2003).

The PAP was quick to announce an off-budget $230 million SARS relief package ranging from property tax relief, fee relief for industries and SMEs affected by SARS, to bridging loans to help affected SMEs tide over this crisis (MTI and MOF, 17 April 2003). As well, the PAP set up a Ministerial Committee chaired by veteran Minister, Wong Kan Seng, to coordinate all the ministries and departments involved in

combating SARS. Following a national coordinated effort, PAP rolled out a series of programs to restore consumer confidence and maintain normality as far as possible. These included the “Cool Singapore” program targeting tourism-related establishments, shopping centres, childcare centres and supermarkets; a domestic “Step-Out Singapore“ tourism campaign, and a “Singapore Roars” global marketing campaign to boost the tourism industry. It also included the formulation of a set of Business Continuity Management Standards to help businesses develop business contingency plans.

Although first emerging in November 2002, the World Health Organisation (WHO), identified Singapore’s SARS crisis as beginning on 25 February 2003 and ending on 5 May 2003 with 33 reported Singaporean deaths (WHO, 2003). Although lasting only a few months, the SARS event further confirms the nature of external shocks for Singapore – precipitating a marked downturn in economic conditions.

7.7 Summary and Conclusion

This chapter began with the Singapore Government’s public policy response to the 1998 recession. In particular, the PAP and its corporatist partners were able to implement cost-cutting measures promptly, focusing on promoting FWS after its slow uptake from the 1980s recession, As well, analysis of the FWS implementation process revealed two important observations. First, the PAP and those other institutional practitioners were skilled in using a crisis to promote their policies. Here, using the 1998 recession as a strong impetus, they were able to successfully increase the level of private sector FWS adoption rates (see Figure 7.3). Second, the Singaporean corporatist framework had an extensive influence on pay policies of employers, particularly in the unionised sector. That influence has grown stronger over time. In short, where all parties – including unions through the NTUC – played a part, policies showed a higher level of implementation.

The 1988 recession proved to be only the beginning of a series of crises threatening Singapore's ongoing viability. Thus, from 1998 until 2003, Singapore's public policy, with its extensive reliance on corporatist activity, provided motivation and a common platform for the corporatist partners to interact and work together, consolidating, as it further developed the Singaporean variant of corporatism. Indeed, this chapter has provided evidence that Singapore's corporatist framework, as well as its consensus-seeking mechanisms, faced frequent, and multiple external challenges of quite different types, with solid confidence in its capacity to respond effectively. In other words, the country faced frequent external crises, consequent pressures for swift policy responses and, finally, the need for flexibility in the Singaporean corporatist framework to effectively overcome the crisis.

By 2004, Singapore was on the way to economic recovery. In another landmark event, Goh Chok Tong passed on Singapore's Prime Ministership to Lee Hsien Loong. This marked an appropriate end for the fifth period of Singapore's industrial relations history and development, and the period covered in this thesis. As a new era dawned under the leadership of PM Lee Hsien Loong, the PAP's hold on power and the Singaporean brand of corporatism looked as steadfast as ever.

CHAPTER 8

THE SNEF IN THE NEW MILLENNIUM

1998-2004

8.1 Introduction

The previous chapter introduced the fifth and latest period of Singapore's industrial relations development. It indicated that this eventful period tested the SNEF and its corporatist partners, as well as the wider corporatist framework in Singapore. This chapter focuses on the activities of the SNEF from 1998 until 2004, a period which marked a further shift in its role. It begins with an examination of various aspects of the SNEF's internal dynamics. Attention then shifts to its external roles. Once again, the organisation of this chapter separates the SNEF's engagement in ongoing corporatist institutions and processes from its responses to selected critical events. Of particular focus are the SNEF's responses to three critical events: the East Asian financial crisis and recession of 1998, the recession of 2001 and the SARS outbreak of 2003. Close investigation of each of these events reveals the SNEF's depth and adaptability.

8.2 The SNEF Internal Dynamics, 1998-2004

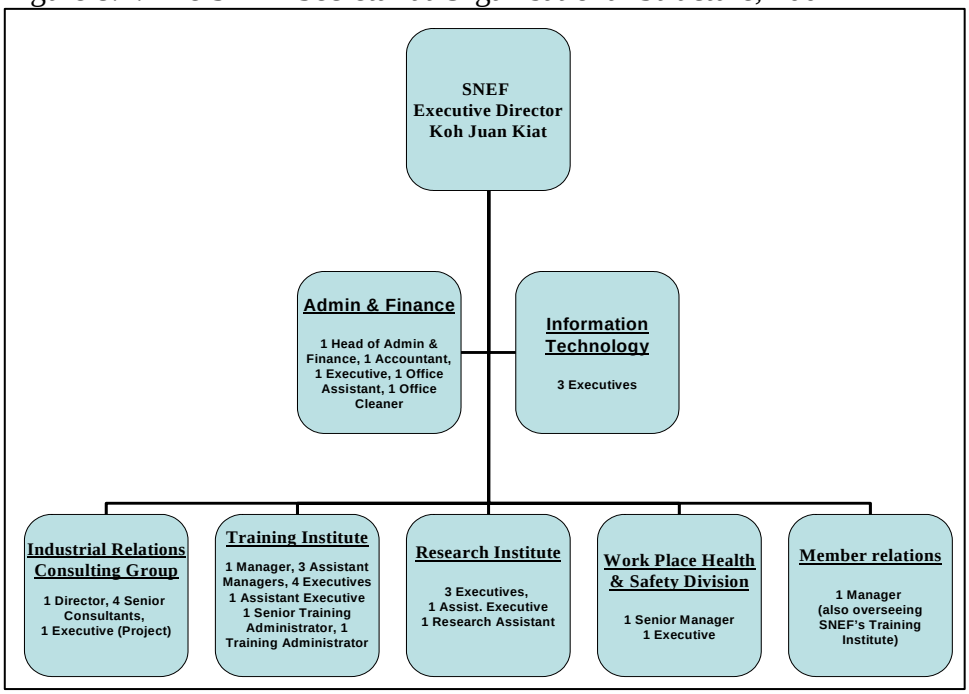
(a) Organisational Structure

In the context of Singapore's short contemporary history, the SNEF – itself barely 20 years old – reached a mature phase in the country's corporatist system. Not surprisingly, then, the SNEF maintained its existing organisational structure and governance systems, apart from some minor reorganisation of its industrial groupings. The Federation retained a well defined agent-principal structure in which elected officials of the SNEF Council continued to hold considerable influence over its policy-making function as against the professional staff employed in the Secretariat. In turn, both the Council and Secretariat were accountable to the SNEF's members. As before,

and consistent with its leading association status, the Council membership was based on wide representation of leading business firms and identities.

The SNEF Secretariat's budget had more than doubled in the 10 years from S$2.5 million in 1997 to S$5.5 million in 2006 (Interview: Koh, February 2007). Under Koh Juan Kiat's stewardship, the modern-day SNEF Secretariat contrasted starkly with that of earlier days. The Secretariat's key departments – the industrial relations consulting group, research institute, training institute, work place health and safety division, and dedicated member relations department were strategically positioned to provide better services for members (see Figure 8.1). Auxiliary departments covered an information technology department that maintained a large database of the SNEF labour-related expertise. A website, finance, and administrative department also efficiently served the organisation.

Figure 8.1: The SNEF Secretariat Organisational Structure, 2004



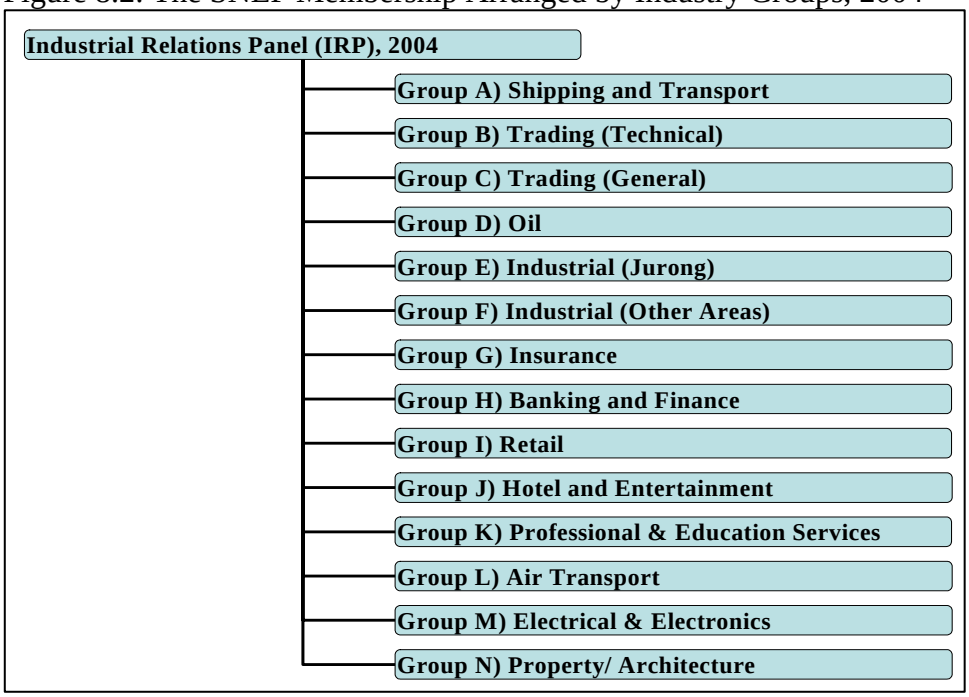
Source: SNEF *Annual Report*, 2004: 12

(b) Membership

During this period, the SNEF continued to accept new member firms in all categories and sizes. Up to the year 2000, membership was organised into 13 main

industrial groupings (see Figure 8.2), with a new group: Property/Architecture, added in 2001. Desmond Wong, Head of HR at City Developments Ltd, one of Singapore's largest private developers, was invited to run for the new group's chairmanship, thereby extending the Federation's established pattern of leadership. In maintaining the same 13 industrial groupings for a lengthy period – from 1987 until 2000 – the SNEF reflected the stability in Singapore's economy, and the SNEF's growing maturity.

Figure 8.2: The SNEF Membership Arranged by Industry Groups, 2004



Source: adapted by author from SNEF *Annual Report*, 2004: 11.

Table 8.1: The SNEF Membership Density and Membership (by Number of Companies), 1997-2005

Year	Membership (No. of Companies)	No. increase	Total SNEF Membership by Employer Workforce	Nominal Average No. of Employees	Total Singapore Workforce	Membership Density by Workforce
1997	1610	114	374365	232	2075800	18.0%
1998	1636	26	407900	249	2133800	19.1%
1999	1678	42	401189	239	2129300	18.8%
2000	1813	135	418202	230	2094814	20.0%
2001	1909	96	476330	249	2267300	21.0%
2002	1915	6	454662	237	2223200	20.5%
2003	1847	- 68	433644	234	2208100	19.6%
2004	1820	- 27	437907	240	2238100	19.6%
2005	2130	310	479445	225		

Source: SNEF and MOL *Annual Reports*, 1997-2005.

The SNEF membership continued to grow moderately over the period, with a clear adverse impact triggered by cumulative effects of the 1998, 2001 recession and the SARS outbreak in 2003 (Ibrahim, 7 August 1998). The pattern remained similar to the previous period; member companies rose 13 percent to 2004 (26.9 percent to 2005, see below), yet coverage of the workforce rose less strongly, to about 20 percent of the labour force (approximately 11 percent growth) (See Table 8.1). This pattern indicated that smaller firms joined and the average size remained remarkably stable at around 235. This was especially so during the later recovery period, when a large number of small firms signed up. The latter comprised largely foreign firms, particularly of European origin, and importantly, with considerable support provided by GLCs (see Table 8.2). The decline and moderate growth also suggest that the SNEF entered a mature phase, with the (employee covered) 'membership density' at approximately 20 percent of the nation's labour force. Moreover, the membership fall of about 100 firms – due to the recession – had negligible effect on average size suggesting that the SNEF sustained its attraction for the 'large and leading' companies. The strong membership support by GLCs (see Table 8.2) from 1998, indicates explicit PAP endorsement. In short, the SNEF Council's wide reach, and diverse and influential leadership, was impressive, and especially crucial for its role within the PAP's corporatist framework. The SNEF reinforced its position as Singapore's leading national employers' association. Yet, the Federation was sensitive to its member coverage and was committed to strategic growth. At the SNEF EGM held on 4 May 2005, the SNEF members approved statutory members of the SBF to become the SNEF's affiliate members without the need for formal membership application (SNEF *Constitution*, Annex C). Thus, the 2005 rise of 310 was primarily the result of introducing the new

category of “affiliate member” drawing in 260 new members of the above number (SNEF, 2005: 13).

The SNEF membership by geographical location also continued to exhibit a mixture of local and foreign companies. Local companies, including the GLCs and FIEs, constituted approximately 40 percent and 60 percent of the SNEF membership respectively (see Table 8.2). Once again, the FIEs in the SNEF membership mirrored the importance of FDI in Singapore’s economic policy over time. As well, it was clear that the USA, Europe and Japan – Singapore’s major trading partners – also had presence in Singapore in the form of regional offices or factories, albeit of modest size. For foreign firms, the purpose in joining the SNEF was to secure access and information to the institutions that had a direct impact on the cost of doing business in Singapore. In particular, The SNEF continued to play a central role in Singapore’s key corporatist institutions: the NWC and the CPF. Given the government’s assertive role in economic policy, however pro-investment, the SNEF membership became a necessary part of doing business in the country, and securing their position for the foreseeable future.

The local SMEs and GLCs, from 1996, played an equal if not more important role in SNEF. As noted earlier, despite FIEs holding a majority in SNEF membership, no sign of any power struggle was evident in the SNEF. The leadership remained stable, and the consistent pattern in the SNEF Council supports this observation. Also, the SNEF President, Stephen Lee, explained that FIEs were comfortable leaving IR and HR matters to local leaders (Interview: Lee, February 2007). Over time the SNEF’s central leadership consisted primarily of local CEOs including Stephen Lee and Boon Yoon Chiang.

Table 8.2: The SNEF Membership By Owner Origin/Type, 1998-2004

Owner Origin/Type	1998	1999	2000	2001	2002	2003	2004	% Change	Av. %
USA	248	260	279	305	313	304	295	18.9	15.7%
Europe	148	158	173	205	210	204	201	35.8	10.1%
Japan	159	159	178	179	182	181	176	10.7	9.6%
UK	68	56	57	70	52	57	60	-11.8	3.5%
Other FIEs	180	198	212	192	203	200	203	12.8	10.9%
Joint Ventures	150	142	148	157	152	124	115	-23.3	8.0%
Local (SME)	646	664	715	739	738	714	706	9.3	39.2%
Government-Linked Co. (GLC)	37	41	51	62	65	63	64	73.0	3.0%
Total	1636	1678	1813	1909	1915	1847	1820		100.0%

Source: compiled by the author from SNEF *Annual Reports*, 1998-2004.

Table 8.3: The SNEF Membership By Employer Union Status, 1998-2004

Employer Status	1998	1999	2000	2001	2002	2003	2004	% Change	Av. %
Unionised	693	687	711	713	710	664	648	-6.5	38%
Non-Unionised	943	991	1102	1196	1205	1183	1172	24.3	62%
Total	1636	1678	1813	1909	1915	1847	1820	11.2	100%

Source: compiled by author from SNEF *Annual Reports*, 1998-2004.

One of the main reasons employers formed employers' associations was to counter the labour movement (Ford, 1980; Forsebäck, 1980; Oechslin, 1972; Yarmie; 1980). However, given the fact that only an average of 38 percent of the SNEF members were unionised (this figure declined slightly over this period – see Table 8.3), this raises the question: why? Two plausible explanations may be suggested. First, given a strong public perception of Singapore's IR environment as stifled – with its lack of industrial unrest since the 1970s,[12] strong PAP presence, and the PAP-NTUC symbiotic relationship – observers of Singapore's contemporary IR developments, including this author, assumed the SNEF played a limited collective role, as a trade union for employers (Ariff, 1993). *Straits Times* IR reporter, Chia Sue-Ann, cogently described SNEF as more of an association than a trade union because "Singapore has a system where nobody really lobby[ies]",

[12] Officially, Singapore's last labour union strike happened in 1986 (involving an American engineering company, Hydril Pte Ltd), was largely a symbolic one and one that was sanctioned by then NTUC Secretary General, Ong Teng Cheong (see Chapter Five Figure 5.1, also Leggett, 2005).

> I see it [SNEF] more as an association rather than a trade union. Maybe because I am looking at it more from the very literally definition of trade union … SNEF has never come across as a very strong lobbyer … maybe because Singapore has a system where nobody really lobby[ies]. Because I don't really think the government really likes the word 'lobby'. You express your concerns, you express reservations, but you don't lobby for certain things (Interview: Chia, February 2007).

Thus, this thesis has shown that the processes of influence through informal relations, consensus-seeking and closed-door decision-making question this perception. Nonetheless, some unionised companies in Singapore did choose to be 'free-riders', seeing no urgency to join an association only for such collective representation. As well, the difference between unionised and non-unionised status in Singapore was not as crucial as in other contexts, for the PAP's policies were consistently pro-investment and pro-employment.

Second, in a different vein, companies – both unionised and non-unionised – joined the SNEF for its valued services (also see Table 8.4), providing information, practical advice and business contacts. The SNEF Membership Relations Manager, Shaun Hou, affirmed this when he explained the reasons for companies joining the SNEF,

> There are many reasons why they join SNEF. For one, maybe because of the free briefings that we provide. They can gather knowledge on the things that we provide for them. Secondly, we have our training tools. So if they are keen to send their employees for training, they can also come here. Thirdly, we have own research institute. We actually solicit statistics figures from employers and we come up with publications. So as a member, you want to purchase a copy of our research findings, you can enjoy members' rate. And the key feature that we provide for our member companies is that whenever members join us, after deciding the nature of their business, we assign them to one of the industrial groupings within SNEF, thereafter, we assign a consultant to them. So in future when they have any questions pertaining to HR and IR, they can always check back with the consultant … you would be surprised some of the HR persons may not really know or involve in the latest changes, so this may be a time where you need to seek consultancy or advice on how to implement the new policies (Interview: Hou, February 2007).

A member of the SNEF, who wished to remain anonymous, echoed Hou's views. This joint-GM of a Japanese offshore investment bank joined the SNEF because it provided a one-stop service for employment relations, offering sessions on the NWC guidelines, executive salary guidelines, and training programs – invariably offered at a lower cost than other professional training programs. He believed this membership was useful for networking with other employers through SNEF organised functions and found the SNEF's membership benefits exceeded costs (Interview: 8 January 2007). The testimony points to the 'calculative' approach to membership – particularly local HR managers who joined the SNEF only when they saw real value in it. This 'practicality' meant that most SNEF members focused on valued services rather than pushing their own political agenda in the organisation.

This observation contributes to viewing the SNEF as an apolitical organisation. In turn, this brings attention to the effects of the external environment on the SNEF's internal dynamics. It was clear to both local Singaporean employers and foreign firms that in the context of the Singaporean "bureaucratic authoritarian corporatism" (Deyo, 1981: 51), it was apposite to assent to only the PAP Government setting Singapore's political agenda. This is particularly so, since a guiding tenet of the PAP agenda was the pragmatic view that their national interests superseded any sectoral interests. Thus, operating within a PAP-directed environment, the SNEF leadership clearly knew the strategic importance of maintaining relevant services for members. During this period, the SNEF continued to address its dependency on membership dues as a primary source of income. As seen in 1980, services fees accounted for only ten percent of its income. By the beginning of this period, the SNEF services rose to 70 percent of its income (see Table 8.4). While this was a remarkable achievement over its short history, speaking

volumes for the Federation's ability to offer services valued by members, it also indicates a marked shift in the nature and role of the SNEF in the corporatist system.

Table 8.4: The SNEF Income Composition, Various Years

SNEF Sources of Income	1980	1992	1994	1995	1996	1998
Membership Dues	90%	59%	50%	38%	37%	30%
Services	10%	31%	50%	62%	63%	70%

Source: compiled by the author from SNEF *Annual Reports*, 1980-1998.

Thus, during this period, the SNEF continued to develop the range of selective and elective goods on offer. Its selective services retained strong demand – in offering a one-stop information centre on IR and HR related matters. Members could obtain information through several channels including: free briefing sessions, the IRP meetings and functions, telephone consultations with the SNEF IR advisors, library services, and the SNEF website.

In this period, the SNEF continued to champion excellence in the broad area of employment practices. In particular, it expanded its training programs with the objective of promoting greater productivity and modernisation of HRM approaches in Singapore. Training programs included customised content at all levels and covered issues such as labour legislation, wage systems, medical and social benefits, benchmarking of occupational wages; employer-employee relations, union-management negotiations, executive development, job-skill matching of new and mid-career staff, and programs focusing on company practices relating to job functions, wage systems, service increments, bonuses, employee benefits and other employment terms and conditions, and training needs analysis. HRM training programs were offered on-site to member companies or off-site at the SNEF.

The SNEF emphasised the critical role of improving labour-management cooperation, and encouraging management to improve its handling of workers. It

initiated an orientation program for foreign managers of MNCs which addressed local industrial laws and the trade union movement (SNEF, 2003). Foreign managers often found themselves faced with 'culture shock' when dealing with Singaporean workers and labour unions. American managers traditionally disliked labour unions (Logan, 2002) and often experienced difficulty comprehending Singapore's processes in the collaborative labour management relationship.

Advertising was another example of a service which generated new revenue flows. From 1998, the SNEF began offering its members discounted advertising opportunities in the SNEF brochures which had an outreach of 10,000 companies in Singapore. This arrangement helped member companies contain costs and stretch their advertising dollars. In addition, members could also showcase their products and services by taking up a product table or a booth at events organised by the SNEF.

In 1999, the SNEF continued to be involved in regional and international co-operation activities. At the unilateral level, it organised study programs for officials from other regional and international associations. These programs covered the SNEF's functions and services, as well as its role in IR and tripartism in Singapore. Multilaterally, the SNEF participated in a number of regional conference/study missions, including the 25th ACE Board of Directors Meeting in Bangkok, the Japan Institute of Labour (JIL) Asean Tripartite Leaders Program in Japan, 26th Asean Conference of Employers' (ACE) CEOs & Board of Directors Meeting in Bali, the Regional Meeting on Workplace-Based Skills Recognition and Training in Japan, among others. These activities were strategically important to the SNEF and its national status, at the same time providing valuable networking opportunities for its members (SNEF, 1999).

In 2001, the SNEF launched a number of new selective services that were relevant during Singapore's economic downturn. The Federation set up a Career-link centre to assist retrenched employees of member companies, assisting over 1 000 employees over the year. An online employer portal – "E-SNEF" – proved convenient and popular in providing easy access to information. It covered HR/IR issues and basic services, such as membership subscription, seminars and events registration, purchase of reports, job- posting services and survey facilities. The website received one to two million 'hits' daily, and more than 700 members used the free service to advertise job vacancies. Furthermore, pre-empting the impending formation of the Singapore Business Federation (SBF) – where membership was compulsory for employers with paid-up capital of more than S$0.5 million – and its impact on its own membership, the SNEF drew up a benefits package to offset the cost of members' compulsory subscription to the SBF. It was designed to offer cash benefits equivalent to the new SBF subscription, where members could use the benefit to purchase selected SNEF benefits (SNEF, 2001).

The following year, amidst continuing economic gloom, the SNEF began a new service termed "Train start @ SNEF". Designed to encourage employers – particularly the SMEs – to upgrade employee skills during lull periods rather than laying-off workers, it provided assistance encouraging small firms to use the SDF for employee training. Under this program, five areas of assistance were offered including: training needs analysis, development of advanced training plan course selection, choice of the most cost-effective funding plan, and evaluation of training effectiveness. Notably, SNEF set up a Career-link centre in the same year, being part of the MOM Distributed Career-link Network (DCN). DCN activities included: proactive visits to retrenching member companies, promoting/sourcing of job placements on the website, taking part in

community job fairs, and organising career fairs for member companies (Ng, 9 April 2002). Furthermore, the SNEF provided a range of services to registrants such as job matching services, seminars on job search skills, the use of the Centre's resource books and the Internet.

In 2003, as the economy was recovering, the SNEF accelerated efforts in assisting employers to improve global competency and access. For example, it partnered the Swiss Management Forum in providing training opportunities in strategic management. In addition, the SNEF People Performance Consulting Group adopted a people-centred approach in promoting best HR practices. On 1 December that year, the Federation launched the Training for Employment Scheme (TFES), seeking to help companies recruit and train unemployed workers under a structured job-specific training program. The SNEF members were entitled to 90 percent reimbursement on endorsed training costs, while non-members could claim 80 percent reimbursement – capped at $1,000 per trainee in both cases (SNEF, 2003).

Apart from free selective services, the SNEF provided limited elective services including: research/survey publications and customised training programs and consultancy services, available to the public and members at different rates. As well, it offered training in management and supervision, business communication, sales and marketing, human resource management, organisational learning and development, IR and employment laws, industrial health and safety, financial accounting, information technology, and quality assurance.

The SNEF's consultancy services – offered for a fee to both its members and the public – continued to be popular during this period. For example, the SNEF's Centre for Excellent Organisations (CEO) offered consultancy and training services to assist members in achieving organisational excellence and attain membership in the Singapore

Quality Class. It also offered assistance in the interpretation and application of the ISH laws. Advice on the management of health and safety at the enterprise level was available to members and the public. Another popular elective service was the SNEF People Performance consulting services, centred on providing assistance in boosting organisational capabilities for sustainable high performance. Apart from providing information regarding current HR and employment practices, the SNEF also offered assistance with the development of 'critical people' competencies that helped executives successfully implement their corporate strategies. Finally, as an Approved-In-Principle (AIP) Agency of PSB, the SNEF was able to help SMEs by approving their Local Enterprise Technical Assistance (LETAS) applications, helping them obtain funding of up to 70 percent for their human resource consultancy projects undertaken by the SNEF.

In sum, resulting from the strong perceptions of it undertaking a constrained or limited collective role, the SNEF adopted a strategic priority to more operational assistance to members. This aimed to improve and expand its selective and elective services, where members could become a more central and essential focus of its activities. The next section turns to further analyse the SNEF's leadership and decision-making.

(c) Leadership and Decision Making

Given a series of quick intermittent crises in Singapore between 1998 and 2003, it was clear these years were challenging for the SNEF leaders. More importantly, its central group of leaders and their legitimacy were likely to be strengthened as their resourcefulness and resilience in the successful handling of these crises became evident. In this context, the evidence presented in this section clearly reflects positively on the leadership of the SNEF.

Over time, the SNEF Council membership fluctuated between 14 and 21, due to the varying number of CEOs stepping forward for election biennially. As well, elected Council members often resigned early, particularly as expatriate CEOs were often transferred (Interview: Chua, December 2008; Hou, December 2008; SNEF, *Annual Report*, 1998 - 2004) Previous discussion indicates that the SNEF leadership remained effective regardless of the aggregated numbers of Council members. Overall, the average size of Council has moderately reduced over time (see Table 8.5). Two plausible explanations may apply. First, the effectiveness of the SNEF Council derives primarily from the primary group of largely local CEOs. Their long-term presence provides stability and consistent leadership (see Chapter Six). In this case, the varying membership number is not important. Second, assuming it takes time for any organisation to evolve and stabilise, as the SNEF enters a mature development phase with a stable membership, the Council could be reduced. Thus, the leadership believed that 16 Council members were sufficient. Both views played a part in regard to the Council.

Table 8.5: Average Membership of the SNEF Council, Selected Periods, 1980-2004

	1980-1986	1987-1997	1998-2004
Average Number of Council Members	18	17	16

Source: compiled by author from SNEF, *Annual Report*¸ 1980-2004

As in the past, the SNEF enjoyed stable leadership among its elected and employed staff, whether on the Council, IRP or the two key sub-committees during this period (see Table 8.6 to 8.9). Closer examination reveals a number of observations. First, this group of local CEOs provided a stable leadership pattern. A major factor in this derives from the charismatic leadership of the SNEF President, Stephen Lee. His network, ‘soft power’, was considerable from his extensive public and private portfolio, assembled over more than 20 years. Lee continued to extend his private and public

profile during this period, including in the private sector as MD of Shanghai Commercial and Savings Bank Ltd, MD of Great Malaysia Textile Investments Private Limited, Director of Baosteel Group Corporation (Shanghai), Director of Fraser & Neave Limited from 1997, Director of G2000 (Apparel) Limited from 1991, Director of Neptune Orient Lines Ltd from 2000 to 2002, Chairman of Vickers Ballas Holdings Ltd from 2001 to 2002, Chairman of Vertex Venture Holdings Ltd from 2001 to 2003, Chairman of PSA International Pte Ltd since 2002, MD of Singapore Airlines Limited since 2004. Apart from the SNEF Presidency, his public portfolio included Chairman of the Singapore Business Federation (SBF) from 2002, Chairman of International Enterprise Singapore from 1995 to 2002, Director of the Singapore Labour Foundation from 1978, Director of the Kidney Dialysis Foundation from 1996. On Singapore National Day 1998, Lee was awarded the Public Service Star Award for his contribution to Singapore's development in business, industry, technology and science (*Straits Times*, 9 August 1998).

Second, according to Stephen Lee, Singapore's track record in harmonious industrial relations and pro-investment policy meant most MNCs were content to allow their local managers to participate in the SNEF's activities on their behalf. Additional advantages included networking contacts and access to the SNEF's extensive services (see Chapter Six). In short, the scope for conflicts of interests and power contests were limited within the SNEF. Lee also revealed that there was little contest for Council seats, even in 2007, remarking that "[we] have a postal election. We ask for nomination by post … There were not a lot of competitions for post [key position in the SNEF Council]" (Interview: Lee, February 2007).

Table 8.6: The SNEF Council Members, 1998-2004

	1998	1999	2000	2001	2002	2003	2004
President	Stephen Lee; Great Malaysia Textile						
VP	Bob Tan; MK Electric						
VP	Phillip I Overmyer; AT&T Singapore				Landis W. Hicks; PAE Singapore Pte Ltd		
VP	Lim Hong Keat, MPH	Alex Chan; Yeo Hiap Seng		Landis W. Hicks; PAE	Alex Chan; Yeo Hiap Seng		
Secretary	Boon Yoon Chiang; Jardine Matheson						
Deputy Secretary	Alex Chan; Yeo Hiap Seng	Steven Goh; The WingOn Department Store					
Treasurer	Teresa Foo; Standard Chartered Bank			James Lee; Wing Tai Holdings			
Deputy Treasurer	James Lee; Wing Tai Holdings				Freddy Lam; Solid Gold Group		
Council Members	Freddy Lam; Caraters Jewellers						
Council Members	Steven Goh; WingOn						
Council Members	Shinichi Oka; Mitsuibishi Chemical	Akira Watanabe; Tokyo-Mitsubishi Bank	Yasuo Maruyama; Song Electronic (Singapore) Pte Ltd			Kiyohiko Niwa; Song Electronic	
Council Members	N S Nayak; Bank of India	Lee Joo Tim; Castrol S'pore	Christopher Chew; Minnesota Rubber Asia Pacific Pte Ltd				
Council Members	Yasuo Tada; Denka S'pore	Neil Montefiore; MobileOne (Asia) Pte Ltd					
Council Members	Manfred GE S; Behn Myer & Co	Ulrich Wasserbaech; WMF Flatware Pte Ltd					
Council Members		Alfred Lien, Mandarin Singapore					
Council Members			Lee Joo Tim; Marine BP Pte Ltd				
Council Members	Tan Wah Thong; APG Holdings		Gan Chin Yean; Interplex Singapore Pte Ltd				
Council Members			Robert KS; Festo Pte Ltd			Leong Sow Chun; Hitachi Singapore Pte Ltd	
Council Members	Michael King; Bayerische Landesbank Girozentrale					Alexander C. Melchers; C. Melchers Gmbh and Company	

Source: compiled by author from SNEF *Annual Report*, 1998-2004.

Table 8.7: The SNEF Membership Sub-Committee, 1998-2004

	1998	1999	2000	2001	2002	2003	2004
Convenor	Phillip I Overmyer, AT&T Singapore			Alfred Lien, Mandarin Singapore			
Member	Lee Joo Tim		Lee Joo Tim, Marine BP Pte Ltd				
Member	Freddy Lam, Caraters Jewellers				Neil Montefiore, MobileOne (Asia) Pte Ltd		
Member	Alfred Lien, Mandarin Singapore						
Ex-Officio Member	Stephen Lee, Great Malaysia Textile Manufacturing Co Pte Ltd						
Ex-Officio Member	Alex Chan, Yeo Hiap Seng						
Ex-Officio Member			Phillip I Overmyer	Landis W. Hicks; PAE Singapore Pte Ltd			
Ex-Officio Member	Bob Tan, MK Electric (S) Pte Ltd						

Source: compiled by author from SNEF *Annual Report*, 1998-2004.

Table 8.8: The SNEF Finance Sub-Committee, 1998-2004

	1998	1999	2000	2001	2002	2003	2004
Convenor	Teresa Foo-Yo, Singapore Standard Chartered Bank			James Lee, Wing Tai Holdings			
Member	Boon Yoon Chiang, Jardine Matheson						
Member	Steven Goh, The WingOn Department Store						
Member	James Lee				Freddy Lam		
Ex-Officio Member	Stephen Lee, Great Malaysia Textile Manufacturing Co Pte Ltd						
Ex-Officio Member	Alex Chan, Yeo Hiap Seng						
Ex-Officio Member	Phillip I Overmyer, AT&T Singapore			Landis W. Hicks, PAE Singapore Pte Ltd			
Ex-Officio Member	Bob Tan, MK Electric						

Source: compiled by author from SNEF *Annual Report*, 1998-2004.

Table 8.9: The SNEF IRP Members, 1998-2004

<table>
<tr><th></th><th>1998</th><th>1999</th><th>2000</th><th>2001</th><th>2002</th><th>2003</th><th>2004</th></tr>
<tr><td>Chairman</td><td colspan="2">Alex Chan, Yeo Hiap Seng</td><td colspan="5">Bob Tan, MK Electric</td></tr>
<tr><td>V-Chairman</td><td colspan="6">Yap Eu Win, SemCorp</td><td></td></tr>
<tr><td>Chairman, Shipping & Transport Gp A</td><td>Philip Chen, Orient Lloyd</td><td colspan="5">Chow Kwok Wah, Delgro Corporation Ltd</td><td>Yeo Meng Hin, SMRT Corp Ltd</td></tr>
<tr><td>Chairman, Trading (Technical) Gp B</td><td colspan="6">David Koh, Sony International (S'pore) Ltd</td><td>Jack Ho, Fuji Xerox</td></tr>
<tr><td>Chairman, Trading (General) Gp C</td><td colspan="3">Patricia Tan, Hagemeyer (S) Pte Ltd</td><td colspan="3">Teresa Yeo, Haw Par Corporation Ltd</td><td>Lawrence Chen, Angliss S'pore</td></tr>
<tr><td>Chairman, Oil Gp D</td><td>Lee Marn Seng, Van Omeren Tanl Terminal (S'pore)</td><td>Jeffrey Kwek, Caltex S'pore</td><td colspan="2">Wong Ee Lin, Castrol S'pore</td><td colspan="2">Daniel Cho, Caltex Group</td><td>Shirley Ho, Singapore Refining Co.</td></tr>
<tr><td>Chairman, Industrial (Jurong) Gp E</td><td colspan="4">Mohamed Shahar, Metalock (S'pore) Pte Ltd</td><td colspan="3">Rita Chua, Nippon Paint (S) Co Pte Ltd</td></tr>
<tr><td>Chairman, Industrial (Other Areas) Gp F</td><td colspan="2">Ng Jue Meng, Singapore Tobacco</td><td colspan="5">Wee Leong How, Singapore Press Holdings</td></tr>
<tr><td>Chairman, Insurance Gp G</td><td colspan="6">Jenny Wong, American International Assurance Co Ltd</td><td>Lim Kee Chin, Asia Life Assurance Society</td></tr>
<tr><td>Chairman, Banking & Finance Gp H</td><td colspan="4">Loh Oun Hean, Malayan Banking Berhad</td><td>Chia Boon Cher, Overseas Union Bank</td><td>Lee Kam Choon, United Overseas Bank</td><td>Lim Bee Choo, Standard Chartered Bank</td><td>Wong Keng Fye, Malayan Banking</td></tr>
<tr><td>Chairman, Retail Gp I</td><td colspan="7">Edward Tan, Metro Pte Ltd</td></tr>
<tr><td>Chairman, Hotel & Entertainment Gp J</td><td colspan="2">Chua Soon Lye, Carlton Hotel</td><td colspan="2">Philip Quek, Westin Stamford & Westin Plaza</td><td colspan="2">Chua Soon Lye, Carlton Hotel</td><td colspan="2">Tommy Ng, Raffles International</td></tr>
</table>

Table 8.9: The SNEF IRP Members, 1998-2004 (Continued)

	1998	1999	2000	2001	2002	2003	2004
Chairman, Professional Services Gp K	Victor Kow, DBS Land Ltd	Victor Kow, Knowledge Hub			Tan Eng Leong, Pricewater house Coopers	Yeo Lai Mun, Ernst & Young S'pore	Jerry Teo, Deloitte & Touche Mgmt Services
Chairman, Air Transport Gp L	Chew Kai Seng, Sinagpore Airlines Ltd						Loh Oun Hean, SIA
Chairman, Electrical & Electronic Gp M	Lee Chin Hong, Hewlett Packard (S)		Rebecca Tan, Pentex-Schweizer Electronics		Low Peck Kem, Agilent Technologies		
Chairman, Property/ Architecture				Desmond Wong, City Development Ltd			
Appointed Member, IRP	Siew Heng Kwok, Overseas Union Bank				Loh Oun Hean, Malayan Banking Berhad		Lee Hong Kit, DBS Bank
Appointed Member, IRP					Mohamed Shahar, Singapore Pools Pte Ltd		
Appointed Member, IRP					Lim Bee Choo, Standard Chartered Bank		

Source: compiled by author from SNEF *Annual Report*, 1998-2004.

During this period, the IRP leadership pattern exhibited regular changes (see Table 8.9). Singapore's leading companies rotated the lead in their respective industries in dealing with IR and HR matters. In particular, this pattern emerged in the oil, hotel, banking, professional, and electrical and electronic industry groupings. The practice of relying on informal patterns of influence seen in previous IRP's election proceedings continued with representatives from leading companies invited to run for chairmanship of each industry grouping (see Chapter Nine). The IRP continued its central function as an important internal consensus-seeking mechanism. The effect of these practices was that the IRP leadership incorporated a diversity of leading local companies – including Singapore Airlines, Delgro Corporation (a local transport operator), Metro (retailer), Singapore Press Holdings (news and media agency), and City Development – as well as

regional offices of prominent FIEs such as AIA (a subsidiary of AIG), Sony International, Hewlett Packard, and Pricewaterhouse Coopers (see Table 8.9).

In summary, clear patterns have emerged of stable and long-term leadership in the SNEF Council and of an informal practice of rotating leaders in the IRP and its representation in industry groups. This consolidates earlier observations on the SNEF leadership. The following section investigates how these patterns formed the ways in which the SNEF engaged within the Singaporean corporatist framework and its industrial relations institutional processes.

8.3 The SNEF External Roles, 1998-2004

8.3.1 The SNEF and its Ongoing Corporatist Responsibilities

The SNEF continued, providing a broad range of collective services which fulfilled many representative responsibilities within Singapore's corporatist system and beyond. Its most crucial collective role remained, namely, representing employers in leading corporatist institutions of the CPF, the NWC, the IAC and the NPB. The tripartite golf tournaments continued as an informal source of influence where the SNEF leaders sought to foster rapport with the other key corporatist actors. It is worth emphasising again that while such tripartite social events were informal, in the Singaporean context, such occasions were very important. Personal connections and face-to-face relationships among key corporatist actors formed the cornerstone of Singapore's corporatist framework.

With the advantage of its internal 'harmony' and in capable leaders' hands, the SNEF was able to focus its attention effectively on handling a spate of economic crises during this period. These included three main critical events: the 1998 recession, the 2001 recession and SARS in 2003.

Apart from its long-standing corporatist commitments, the SNEF's leadership continued to anticipate in and respond to emerging challenges for which employers required collective leadership and a representative voice. The SNEF worked within the NWC in calling for wage reductions during various economic crises. Its important role in ensuring the NTUC's proposal to allow executives to join rank and file unions did not cause any conflict of interest for the employers. As well, the SNEF sought to provide first hand information and briefings on contemporary issues to prepare the SNEF members for challenges ahead through actively engaging well-established academic institutions, IR and HR practitioners, the PAP leaders and various key government agencies.

One important SNEF corporatist role was in fostering harmonious labour-management relations and promoting good practice in HRM. During the period discussed here, the SNEF began actively promoting corporate social responsibility (CSR) and encouraging employers to participate in corporate citizenship programs. It organised and participated in a Tripartite Committee on Work-Life Strategy, the SEEDS (SNEF Employers' Delegates) Conference, the National Manpower Summit, Tripartite IR Conferences, "Share" and "Family Friendly Firms" programs to cultivate corporate citizenship, Choice Employers Conferences, and the ERC subcommittee on Human Capital Management (HCM). From April 2001, the SNEF, in partnership with the Health Promotion Board (HPB), developed a series of initiatives to support the Workplace Health Promotion (WHP) program.

The SNEF continued to work closely with the other corporatist actors to implement strategies to meet the new challenges in this period. Thus, the main focus was to step up the national effort to reform wages in the private sector, and to promote programs in a wide range of areas including: family-friendly work-life, Workplace

Health Promotion (WHP), the Portable Medical Benefits Scheme (PMBS), and the Transferable Medical Insurance Scheme (TMIS). All were intended to ensure workers were not left without any medical safety net if they were retrenched in an era of 'broken rice bowl' (Osman, 30 January, 2000; 21 July 2003).

8.3.2 Responding to Critical Events

(a) The East Asian Financial Crisis, 1997 and Economics Recession, 1998

The PAP Government handled the East Asian financial crisis and 1998 recession through a three-pronged approach. First, instead of intervening directly in the foreign exchange market to halt the free-fall of the Singapore dollar, Singapore's central bank – Monetary Authority of Singapore (MAS) – adopted a flexible exchange-rate policy. Second, the PAP Government announced off-budget measures to help businesses cope with the economic downturn through reducing operating costs. As well, it increased infrastructure spending to boost domestic demand. Third, and more relevant to this thesis, the PAP Government – through its corporatist framework – sought labour market adjustments aimed at reducing labour costs via the CPF cuts and other measures, to save jobs (Ngiam, 2001; Rodan, 2002, 2006).

Despite cost-cutting measures, unemployment jumped from 1.4 percent in 1997 to 2.5 percent in 1998. Employee retrenchments tripled from 9,784 in 1997 to 29,086 in 1998 (MOM, 2008). DPM Lee Hsien Loong explained these results as "wage reform [that] has still not gone far enough",

> Since 1985, we have made significant progress carrying out wage reform. Many companies, especially those in the unionised sector, have put in place more flexible remuneration systems. The civil service has taken the lead. It has reduced the ratio of maximum to minimum wages within the same job grade. It has strengthened its performance appraisal system, introduced performance bonuses, and built up the bonus quantum over the years. It has introduced variable payments in the form of the AVC and MVC, thus making a large part of a civil servant's salary variable. It implemented these changes for all grades, from junior officers and

> support staff to senior management and political appointees. Indeed, the higher the grade, the larger the share of variable wages in the total pay package. But wage reform has still not gone far enough. Yes, in 1998, when the Asian Financial Crisis hit us, flexible wages helped us to ride out the storm and minimise unemployment (Lee, 30 January 2004).

As in previous economic crises, the two back-to-back economic crises – the East Asian financial crisis and the 1998 recession – provided the SNEF with opportunities to further consolidate its 'soft power' and status in Singapore. In particular, its corporatist role provided employers with valuable opportunities to draft policy responses that would soften the impact of the economic crisis. Here, the SNEF's strategic response came in two main areas: its corporatist role within the NWC, and mobilising employers to manage their resources more effectively during economic downturns.

By now, Singapore's income policy – coordinated through the NWC at the national level, though primarily negotiated at the enterprise-level – evolved into an automated first-line defence by the corporatist parties, against any economic downturn. In particular, the NWC recommended quick adjustments of wage levels to help reduce the burden on employers and minimise job losses. From there, individual companies and enterprise unions could use the NWC guidelines to negotiate appropriate terms of employment and in so doing, underpinned NWC's shift from quantitative to qualitative guidelines from 1987 (see Chapter Six).

In May 1998, despite the adverse impact of the East Asian financial crisis, the Singaporean economy avoided a recession, although sentiment was gloomy. The NWC guidelines recommended moderate wage restraint in the light of local and regional economic conditions (see Table 8.10). In Singaporean terminology, 'wage restraint' meant halting all wage increases. With the close link with associated costs – such as the CFP – this invariably leads to cuts in employer wage costs. However, this strategy faltered, and by November 1998, Singapore's economy deteriorated, slipping into a

technical recession. Concerned by this development, the NWC quickly adopted the CSC's recommendation, and issued supplementary wage guidelines,

> In addition to the 10 percent cut in the employer's CPF contribution, total wages for 1998 should be cut by 5 to 8 percent as compared to 1997, companies which had performed exceptionally well or very poorly may deviate from this general guideline, variable component should be the main instrument to achieve this wage reduction, moderate wage cut for lower income employees by implementing a deeper cut for higher income executives (MOM, 2005: 18).

In a similar pattern to the 1985 recession, the NWC wage recommendations exactly followed suggested guidelines contained in the CSC report (MOM, 2005). The influence of government in crafting a high level of consistency in the implementation of the PAP-orchestrated policies (see Chapter Eight) was evident.

At the same time, the SNEF – through its participation within the NWC – effectively capitalised on this crisis by creating momentum for two important agenda it had widely promoted since 1987. The first was the implementation of various flexible wage systems in the private sector. In pointing to the economic threats at hand, the NWC continued recommending that companies should shift to a more flexible wage system to adapt more quickly to such crises. As explained previously, the method advanced was to reward employees in good economic times, through payments such as an annual variable bonus, rather than increasing their wage as the latter was more difficult to reduce during economic downturns. More importantly, in tandem with moderate wage increases, there was an emphasis on higher productivity growth to provide good wage increases, without lagging productivity growth over the long term.

The SNEF's other important agenda was how employers manage their resources during times of economic downturn. In particular, the SNEF advocated the use of such periods to upgrade workers' skills, rather than solely focus on cost-cutting measures such as retrenchment. In addition, the SNEF took the opportunity to encourage both

employers and unions to implement medical co-payment schemes to help promote personal responsibility for health (see SNEF, 1997).

Finally, these two crises did not distract the SNEF from its longer-term strategic response to new challenges.. From 1997 to 1999, the SNEF initiated many discussions with its members and established "SNEF 21" which was not only a blueprint of the employers' role in sustaining competitiveness in the twenty-first century, but also a part of the wider corporatists' effort to prepare Singapore for the new millennium. Each partner was to play its role. For the government it was MOM 21, and for the unions – NTUC 21. Each encompassed a specific focus on their respective sector, in a framework of all working towards a national coordinated effort to prepare Singapore for future challenges. Thus, SNEF 21 was aimed at strengthening employers and their partnerships with the various stakeholders so as to foster corporate growth and create new and better jobs. In essence, the five pillars of the SNEF 21 included: "Pursue Productivity", "Stay Competitive", "Win Workers", "(Re)Create Jobs" and, "Cultivate Corporate Citizenship".

Furthermore, the SNEF initiated activities in implementing the SNEF 21 blueprint. It set up 'Centre for Excellent Organisations' which aimed at: helping companies improve productivity and quality to world class standards, introducing medical co-payment and base-up wage systems to improve cost structures, setting up a funding program for training and retraining of members' employees to improve employability, promoting back-to-work programs and the restructuring of jobs to create jobs, and involvement in "Share" and "Family Friendly Firms" programs to cultivate corporate citizenship (SNEF, 1998:4-5). In short, at the turn of the new century, the SNEF established a niche to champion and develop leading-edge employment practices

and activities to sustain its strong partnership with employers and strengthen employers' presence within Singapore's corporatist framework.

Table 8.10: Summary of the NWC Wage Guidelines, 1998 and 1999

NWC Year	NWC Wage Guidelines	GDP Growth (%)	External Context
May 1998 (Wage restraint guidelines)	Total wage adjustment should reflect the slowing down of the economy, built-in wage increase should lag behind productivity growth rates, variable component should reflect closely the performance of individual companies, instead of granting wage increase on a percentage basis, a dollar quantum should be included to lighten the impact of wage restraint on the lower income employees	-1.4	Post-Asian Financial Crisis
Nov 1998 (Revised guidelines – wage reduction)	In addition to the 10% cut in the employer's CPF contribution, total wages for 1998 should be cut by 5%-8% as compared to 1997, companies which had performed exceptionally well or very poorly may deviate from this general guideline, variable component should be the main instrument to achieve this wage reduction, moderate wage cut for lower income employees by implementing a deeper cut for higher income executives		
1999	Continued wage restraint is recommended to achieve a full economic recover. Nevertheless, firms with improving performance and reasonably good prospects could consider rewarding workers through a special payment, or a wage increase.	7.2	
	Firms are encouraged to introduce a monthly variable component (MVC) in their wage structure, which would give firms the flexibility of adjusting wage costs downward more responsively.		
	Employers are strongly urged to share relevant and timely information with the unions and their employees to facilitate the smooth implementation of the NWC guidelines and to forge greater cohesiveness in their firms.		
	Employers and unions are strongly urged to accelerate the implementation of the Base-Up Wage System and medical co-payment scheme. The Base-Up Wage System ensures that wages truly reflect the value of jobs and reward workers based on their contributions.		

Source: compiled by author from Ministry of Manpower, and Singapore Department of Statistics *Annual Reports*, 1998-1999.

(b) Economic Recession, 2001 and the ERC Interim Report, 2002

Unlike the previous two recessions, the 2001 recession was preceded by a series of damaging events – some occurring concurrently (see Chapter Seven; Appendix 2).

Thus, the SNEF and employers in Singapore would not be caught off-guard in this recession. But, this was by far Singapore's deepest recession and threatened to become worse. With the knowledge and experience of successfully handling two previous recessions, the SNEF's strategic response may be seen as 'prescribed and well-drilled', for two reasons. First, as mentioned earlier, Singapore's national strategic response in such crises focused on cost-cutting and off-budget measures, to keep businesses afloat and minimise job losses. In turn, the NWC's income policy – of which the SNEF played an important corporatist role – became Singapore's front-line automated mechanism, seeking to implement cost cuts through prompt wage adjustments. Second, economic crises were followed by an increased level of tripartite activities, through the ERC, CSC and various sub-committees. Thus, the SNEF's strategic response to this crisis came in three main areas: its corporatist role within the NWC, mobilising employers to manage their resources more effectively during lull periods, and participation in the ERC Sub-Committee on *Dealing with the Impact of Economic Restructuring*.

Following past experience, SNEF supported wage restraint within the NWC. Notably, and unlike in the past, the NWC began issuing recommendations on wage guidelines more than once a year (see Table 8.11). As noted, this resulted from the PAP Government's preference for the NWC to take a more active front-line, automated role in quickly adjusting wage costs in economic downturns. Thus, in this context of multiple external negative shocks affecting Singapore's economic outlook, such wage adjustments by the NWC were necessitated.

The first NWC wage guidelines issued in May 2001, while largely cautious, also pointedly reminded employers of the need to take up various government-sponsored employee training programs during this lull period. The SNEF played an active role in this regard, as seen earlier. The vulnerability of Singapore's open economy was further

emphasised as the effects of the "9/11" terrorist attacks were immediately felt. In December 2001, the NWC quickly issued a second round of wage guidelines, noting that "some companies have found it necessary to retrench their workers … [but] should consider [it] … only as a last resort", recognising the severity of the economic outlook in Singapore (MOM, 2005: 20-21). Accordingly, the guidelines recommended a wage freeze or cut where performance was threatened, extending remuneration to management. These recommendations were applicable for 12 months. Singapore's economic outlook deteriorated further in 2002 (see Chapter Seven). The NWC wage guidelines, issued in November 2002, recommended severe wage restraint resting on the Dec 2001 Guidelines which were extended to June 2003. These recommendations reflected the grim local and global economic outlook. Although declining by 70 percent, Singapore's economy remained in the positive, still registering 4.2 percent GDP growth.

At the same time, the ERC Sub-committee on *Dealing with the Impact of Economic Restructuring*, chaired by Heng Chee How, both the NTUC Deputy Secretary-General and the Mayor of Central CDC, released a set of interim recommendations in November 2002. As its name indicates, its work was to assess the impact of economic restructuring on Singaporeans and to recommend appropriate policy measures to face challenges. The sub-committee adopted a two-pronged approach: first, looking at existing and new systems to assist workers in adapting to new employment demands and second, looking at fostering suitable mindsets and attitude in workers. To achieve this, the sub-committee focused on the following areas: building new mechanisms and capabilities for an effective labour market, increasing access to relevant skills training, helping workers tide over short periods of unemployment, and developing job opportunities for Singapore's most vulnerable workers – in particular, older workers and the less educated (MTI, 2002).

The SNEF and the SBF were heavily involved in the area of 'Human Resource Practices' in the following areas: first by promoting the importance of labour market awareness by encouraging HR practitioners to raise awareness amongst employees about the changing employment landscape – such as trends of older workers as well as part-time workers, and understanding the importance of lifelong learning. Second, by reforming HR practices in companies by encouraging HR practitioners to increase efforts in adopting FWS. Third, by encouraging HR practitioners to develop systems that safeguarded the fundamental needs of workers – including medical benefits, training benefits and retirement savings – in a more volatile employment landscape where displacement and job transitions would become more frequent. Fourth, by encouraging HR practitioners to use mature and better-educated displaced workers, who were also a vulnerable group in the new employment landscape. Fifth, by repositioning the HR profession for the future where the SNEF and the SBF would take the lead to drive reforms in HR practices (MTI, 2002: 7-8, also see earlier section on the SNEF Services).

In short, the ERC interim policy prescriptions extended the existing focus on improving firm-level systems and processes in routine functions. These complemented the NWC recommendations in that they extended the supplementary prescriptions of the NWC, encouraging employers to take up government opportunities in improving workforce skills and similar objectives. In response, the SNEF and the more recent the SBF, centred their activities on developing the HR function in firms, through building management capabilities at this level.

Table 8.11: Summary of the NWC Wage Guidelines, 2000-2002

NWC Year	NWC Wage Guidelines	GDP Growth (%)	External Context
2000	For 2000-2001, workers should be rewarded with wage increases in line with economic recovery, taking into account the restoration of the 2% in employers' CPF contributions. To benefit the lower income employees, companies should consider the inclusion of a dollar quantum in the payment of their wage increase.	10.1	US Dot-Com Bubble Burst in 2000 Malaysia's Port of Tanjung Pelapas won over two major customers from Singapore's Container Port Operator – PSA Corp. Ltd from 2000-2002.
	As most companies are likely to grant wage increases to their workers in view of the economic recovery, the NWC strongly recommends the immediate implementation of the Monthly Variable Component (MVC), specifically that: i. Companies that grant wage increases of more than 3% should set aside at least 3% of wages as the MVC. ii. Companies that grant wage increases of up to 3% should set aside the entire wage increase as the MVC.		
	As the economy picks up, the NWC recommends a speedier restoration of the CPF cuts.		
May 2001	NWC to adopt a cautious approach in dealing with the issue of wage cost in 2001. Companies should also take into consideration the restoration of the 4% in employers' CPF contribution in January 2001 when determining 2001 wage increase.	-2.4	11 September 2001 Terrorist Attacks on the US
	NWC strongly urges companies, particularly those in the non-unionised sector, to implement the MVC as soon as possible,		
	NWC recommends that companies granting wage increase this year should set aside a substantial part or entire wage increase as MVC.		
	NWC strongly urges employers to take advantage of the training programmes and schemes the government has introduced and invest more in human capital as their competitive advantage.		
Dec 2001	The revised guidelines issued earlier in Dec 2001 were applicable until 31 Dec 2002]		
	NWC notes that some companies have found it necessary to retrench their workers. However, the NWC is of the view that companies should consider retrenchment only as a last resort.		
	The NWC recommends that for the majority of companies whose business profitability or prospects are adversely affected by the severe economic downturn, they may, in consultation with their unions/workers, implement a wage freeze or cut commensurate with their performance and prospects.		
	Where companies have to freeze or cut wages, the NWC urges the management to lead by example in wage freeze/cuts.		
	For companies that continue to perform well, they should reward their workers with appropriate wage increase. Such wage increase should preferably be in the form of a monthly variable component or as special payments.		
	To achieve constructive wage negotiations, companies should share relevant information on company performance and business prospects with employees and their representatives.		

NWC Year	NWC Wage Guidelines	GDP Growth (%)	External Environment
Nov 2002 (Extension of 2001 Revised Guidelines – Severe Wage Restraint)	The NWC notes that the global and Singapore's economic outlook beyond 2002 remains unclear. NWC therefore recommends extension of the Dec 2001 Revised Guidelines for another 6 months covering the period from 1 Jan to 30 June 2003. Specifically, the NWC would reiterate the following : i. For companies whose business, profitability or prospects are still adversely affected by the severe economic downturn, they may, in consultation with their unions/workers, implement a wage freeze or cut commensurate with their performance and prospects. In doing so, the management should take the lead. ii. For companies that continue to perform well, they should reward their workers with special payments or wage increases. Any wage increase should preferably be in the form of a monthly variable component to improve the flexibility of the wage system.	4.2	SARS hit Asia, the US and Canada from November 2002 to July 2003
	For companies to remain cost competitive and to be able to respond to the volatile business environment, the NWC strongly urges companies, particularly those in the non-unionised sector, to make greater efforts to implement the MVC as soon as possible.		
	To remain employable and seize the job opportunities provided by high value-added industries, our workers must constantly upgrade their skills or acquire new capabilities.		
	The NWC urges employers to take advantage of the various programmes and schemes introduced by the government and invest more in workers' training and upgrading.		
	To facilitate wage negotiation, companies should share relevant information on company performance and business prospects with employees and their representatives		

Source: compiled by the author from Ministry of Manpower and Singapore Department of Statistics *Annual Reports*, 2000-2002.

(c) Severe Acute Respiratory Syndrome (SARS)

As noted above, the SNEF drew from earlier experiences in responding to the SARS crisis. Two primary roles were first, serving as an active corporatist participant of various tripartite committees as well as within key corporatist institutions – particularly the NWC and the CPF. Second, the SNEF served as an effective conduit between the government and employers.

The Federation's foremost strategic response to the SARS crisis was in playing an active role in NWC 2003/2004 recommendations. The latter centred on assisting SARS-affected businesses to survive and retain jobs. The NWC called for appropriate wage cuts, recommending that management and executives lead by taking similar or

greater wage reductions. Second, the NWC recommended wage restructuring for companies facing uncertainty through increased competition and lower profitability. The NWC encouraged employers to place more emphasis on productivity-based and profit-sharing bonuses and move away from fixed and seniority-based pay elements. Hence, to explicate the implementation of the Monthly Variable Component (MVC), NWC recommended employers and employees set aside two percent or more of *existing* monthly basic wages to progressively build up MVC. This was a significant departure away from its earlier position of funding the MVC quantum from wage increments. In its 2003 deliberations, the NWC accepted that the economic outlook for the foreseeable future remained bleak. Furthermore, for firms not directly affected by SARS, its wage freeze recommendation rested on the same rationale. Finally, apart from its ongoing recommendations for companies to restructure their wage system to enhance long-term wage flexibility and labour competitiveness, the NWC also strongly encouraged employer consultation with unions and workers, in adopting medical schemes (either in-patient Portable Medical Benefit Scheme (PMBS) or the Transferable Medical Insurance Scheme (TMIS)) (SNEF, 2003: 18-19). This was part of the corporatist ongoing objective to shift workers' mindset from lifelong employment to lifelong employability as the era of 'iron-rice bowl' was clearly over (Buenas, 16 July 2003; *ChannelNewsAsia*, 16, 22 July 2003; Chia, 24 October and 20 December 2003; Chia and Tan; 26 July 2003; Chong, 27 July 2003; Osman, 16 July 2003; *Straits Times*, 2 October, 23 July, 9 December 2003; Teo, 29 November 2003).

At the same time, the SNEF and its corporatist partners were prompt in capitalising on economic crises to promote the national agenda of wage reform (*Business Times*, 29 April 2003; ChannelNewsAsia (20 December 2003; NTUC, 4 April 2003, *Straits Times*, 8 November 2003; *The Reuters*, 14 August 2003). In July 2003,

taking up an earlier call in addressing concerns regarding Singapore's wage competitiveness, the corporatist partners formed a Tripartite Taskforce on Wage Restructuring. This body advocated a Competitive Base Wage System (CBWS), to more formally include the basic/variable structure allowing companies to trigger adjustments related to changes in the business environment. Key recommendations included: first, companies to progressively build up the Annual Variable Component (AVC) and implement robust Key Performance Indicators (KPIs) to link the AVC to company and individual performance. Second, companies would adopt transparent appraisal systems through establishing strong information and communication channels between employers, employees and their union. Third, companies would progressively shift away from the seniority-based wage system and, achieve an average salary maximum-minimum ratio of 1.5 or less (SNEF, 2003: 19).

The SNEF remained active in other areas, conducting surveys and collating employer feedback on the economic impact to business of the crisis and policy responses. As well, it helped build employer consensus on how to handle the crisis. Information briefings to its members delivered timely information that helped allay employers' fears thereby avoiding unnecessary panic in businesses and amongst employees. For example, at the peak of the SARS crisis, briefings were conducted to disseminate and discuss standard operating procedures and business continuity plans. On April 2003, the SNEF organised and provided a forum for employers to meet with the Minister for Health. Later that month, it conducted another briefing on SARS-related issues in the workplace (SNEF, 2003: 7). It also helped disseminate tripartite guidelines on leave-of-absence relating to SARS to provide a common ground of understanding between management and the unions (SNEF, 2003: 16).

Table 8.12: Summary of the NWC Wage Guidelines, 2003-2004

NWC Year	NWC Wage Guidelines	GDP Growth (%)	External Context
July 2003 – June 2004	SARS had severely hurt the viability of businesses and the job prospects of employees in affected companies. The immediate concern was to help the SARS affected companies tide over the difficult time and minimize job losses. Taking note of the prevailing business environment and outlook, the NWC recommends: i.) Wage cuts for SARS affected industries to save jobs. Companies directly affected by the SARS outbreak implement appropriate wage cuts to survive this downturn and to save jobs. NWC urges management and executives to take the lead, for example by taking earlier or deeper wage cuts. ii.) Wage restructuring for companies facing difficult industry conditions. Such companies should restructure their wage system without delay, reducing the fixed and seniority-based elements of pay, and converting them to productivity and profit-sharing bonuses. This will have to go significantly beyond transferring 2% from the basic wage into the Monthly Variable Component (MVC). iii). Wage freeze for most companies. Companies that are not directly hit by SARS but nevertheless are affected by the generally uncertain business conditions should continue with the wage standstill. These companies should also proceed to restructure their wage system and build up the monthly variable component as soon as possible by transferring 2% or more from the basic wage into the MVC. iv.) Bonuses for companies doing well. The few companies which are still doing well, despite the generally difficult economic climate should reward their workers through appropriate variable payments or special bonuses. v.) Restructuring wage system for competitiveness: (a) The NWC strongly urges employers and unions/workers to expedite the process by setting aside a higher percentage of basic wages of workers to achieve a higher MVC. (b) All companies with seniority-based wage systems need to replace them with the Competitive Base Wage System (CBWS) recommended by the Economic Review Committee (ERC) and endorsed by the Government. (c) The NWC strongly urges companies and unions to speed up wage restructuring by narrowing the salary maximum/minimum ratio to an average of 1.5 or less, to better reflect the value of the job. They should also implement appropriate measures for employees whose salaries exceed the maximum point in the desirable salary ratio achieved or brought about, for example by reducing or freezing the maximum of salary scales. Portable Medical Benefits. There are two schemes for inpatient medical benefits, namely the Portable Medical Benefits Scheme (PMBS) and the Transferable Medical Insurance Scheme (TMIS) have been proposed. The NWC strongly urges employers, in consultation with the unions/workers, to adopt either of the 2 schemes. Implementation of the PMBS/TMIS would provide employees with continued inpatient coverage not only when they are in employment but also when they are in between jobs.	3.1	SARS hit Asia, the US and Canada from November 2002 to July 2003

Source: Ministry of Manpower and Singapore Department of Statistics *Annual Report*s, 2003-2004.

8.4 Summary and Conclusion

This chapter has addressed the fifth and last period of Singapore's IR development – covering Singapore's management of the 1998 recession to the 2004 change of national leadership. The 1998 economic crisis was the first test of the flexible wage system widely promoted by the corporatist partners. The recessions of 1985 and 1998 showed Singapore's vulnerability to external shocks. This vulnerability would become more pronounced over time. Singapore's IR policy response increasingly centred on ensuring that local firms became more nimble and flexible than their international competitors. Thus, the promotion of the FWS as part of the macro-plan to achieve a more flexible labour market continues to be of central focus during this period. Moreover, the corporatist framework increasingly links with the Singapore's IR system. Key institutional IR practitioners – the government, unions and employers – continued the process of building a high level of rapport using the framework's closed-door internal consensus-seeking mechanisms.

As more challenges emerged, the PAP and the corporatist actors stepped up efforts in relation to wage reforms and economic restructuring. These included the following: first, in November 1998 the high-level CSC delivered its report and policy recommendations – its main findings in the area of IR being a coordinated national effort to reform Singapore's labour market. Second, in April 1998 the PAP renamed the Ministry of Labour (MOL) the Ministry of Manpower (MOM). This exercise involved the MOM developing and coordinating Singapore's national manpower strategy for the future. Third, and most importantly, the processes of the corporatist partners were becoming increasingly collaborative in response to national crises. Participants in responsive and practical tripartite bodies spanned direct partners and government agencies. Such bodies quickly emerged to address key issues in managing labour issues.

For example, as the scope of the crisis emerged in 1998, the MOM Director of IR, Ong Yen Her, soon initiated and chaired a tripartite panel on retrenched workers to coordinate efforts to help these workers and companies cope with the impact of the East Asian Financial Crisis. It was such 'automated and promptly coordinated' responsiveness that enabled Singapore to overcome the recessionary years of 1985, 1998 and 2001 faster than otherwise possible.

In the midst of such adversity, the SNEF was able to seize opportunities to consolidate its position as Singapore's leading national employers' association. The Federation not only played a successful corporatist role – quickly rising to the forefront in organising employer support for corporatist initiatives, it also championed employers' collective interests and expanded the range of services provided to its members. A distinguishing feature of this fifth period is that the corporatist arrangements became further embedded in the governance framework through the adroit exploitation of the series of crises that occurred in these years. The form of corporatism that emerged in the new millennium, although primarily lead by the PAP Government, also entailed an expanded role for the SNEF at the policy level through its responsive participation in national inquiries, tripartite bodies and similar processes and mechanisms. Perhaps more importantly, its role was now more extensive in implementation processes, through joint bodies, partnerships, program development and delivery, and expanding types of similar services. In short, the corporatist framework institutionally linked the partners to a wide range of socio-economic policies and implementation processes, as Singapore moved towards a nationally coordinated economy at a micro-level, under the authority of the PAP Government and its agencies.

Consequently, as an employers' association, the SNEF's strategic choices yielded dividends in three main areas. First, even during a mature phrase of its history,

SNEF was able to increase its membership in terms of absolute numbers and by density. At the same time, in successfully steering the organisation through multiple crises, the SNEF leadership enjoyed a sense of achievement and pride as it further strengthened its internal position, as well as its influence and 'soft power' within Singapore's business community. Third, it maintained easy access to the PAP leadership and government technocrats. The SNEF's corporatist role provided invaluable networking opportunities for leaders and SNEF members alike, to influence policy initiatives and outcomes. As well, the SNEF was able to gainfully use its first-hand access to IR- and HR-related information from its corporatist activities. This was achieved by expanding selective and elective services, and by further enhancing the SNEF's "associability" and "governability".

CHAPTER 9

CONCLUSION

9.1 Introduction

The central theme of this study is the story of Singaporean employers' associations and industrial relations development between the 1940s and 2004. The thesis is a longitudinal case study of Singaporean employers, focusing on the SNEF in the Singaporean industrial relations system, and in the broader institutional, economic and political development of the country. In considering the current literature on these areas of study – on employers' associations in Chapter Two – it was clear that the nature of the Singaporean industrial relations and national development lead to corporatism as framework for understanding the main questions of the study. Thus, a priority for this thesis has been to focus attention on the emergence of the Singapore's corporatist system. In particular, this means highlighting the system's principal tripartite institutions and processes over time, and then, the SNEF's interactions with them. This final chapter turns to the research findings, and their contribution to the limited literature on employers' associations in the East Asia context.

Accordingly, the central research questions posed in this thesis address the key dimensions of the story. In the next section we will revisit the first question – regarding the SNEF formation and development – from the empirical inquiry in the thesis, spanning Chapters Three to Eight. Subsequent sections will consider the second main question – of the SNEF's roles and behaviours in the context of developments in Singaporean corporatism and industrial relations. In turn, this allows for consideration of the subsidiary questions linking discussions of the findings to the literature that the study addresses.

9.2 Formation and Development of the SNEF

The context of the SNEF's formation was important and telling. In answering this and other central questions, two preliminary yet important features are clear. First, Singapore's employers' associations emerged over stages. Second, the link with industrial relations was fundamental.

(a) The Formation of the SNEF

The formation of the SNEF in 1980 involved the merger of two earlier employers' associations – the SEF and the NEC. It came at the start of a major shift in Singapore's economic development strategy and labour market dynamics: the government-directed second industrial revolution. However, the SNEF's formation had nothing to do with the usual labour market challenges that the (western-derived) employers' association literature posits as catalysts. Indeed, those challenges were absent due to the effectiveness of the PAP's earlier repression of hostile opposition and subsequent extensive state corporatist arrangements.

Rather than being employer-generated, the SNEF's formation resulted from direct PAP influence. The PAP found unsatisfactory the division of employer representation between two associations across its multiple tripartite corporatist bodies. For the PAP, the SNEF's creation unified the third 'leg' of the tripartite corporatist framework, joining the NTUC and the MOL, representing the government. This facilitated the PAP's corporatist implementation of the second industrial revolution. Thus, it is clear that it was a PAP government indicative 'directive' that provided the crucial 'push' factor.

As well the speed of the merger process – seven months – and its success also reflected factors internal to Singapore's employers' associations. Timing was conducive

here too because of the growing disparity in strength of the two associations. The NEC's relatively smaller size made it easier for it to accede and it allowed the SEF's President to lead the SNEF without conflict. As well, the new SNEF has mostly adopted the SEF's previous structure. Yet, even in this context, the speed of the merger relied on the political will and strong leadership within both organisations. Continuity of leadership and close informal networks enabled prompt achievement of merger goals. In this, it was a very Singaporean story.

(b) The Development of the SNEF to 2004

Turning to the development of the SNEF, we find phases of change emerging over Periods Three, Four and Five. During its early years, the SNEF gained considerable stature, maintaining high associability, and effective leadership. The SNEF Council leadership – like that of the SEF before it – was consistent, strong and well connected in business and government circles. A balance of MNC and Singaporean larger SME company representatives in the Council and local knowledge used in the IRP addressed the SNEF governability. As with its SEF predecessor, despite an important representative presence of expatriate managers from leading MNCs within the SNEF's formal decision-making body, it was prominent local business leaders who provided most of the public face of the new association. In particular, the leadership of the long-serving ex-SNEF President, Jack Chia, and the charismatic incumbent SNEF President, Stephen Lee, were the most crucial (and this still holds true presently). This turned out to be one of the reasons for the harmony of the association's internal dynamics – its particularly Singaporean version of governability – and the effectiveness of the SNEF in its representative and symbolic (collective good) roles.

The high-wage policy of the PAP's second industrial revolution left employers more dependent on the SNEF's voice in the NWC and other tripartite bodies. Consistent with its representative role, the SNEF activities centred on collective and selective goods, as evidenced by its almost exclusive dependence on member's fees for revenue over this period. In short, while settling into an expanding Singaporean corporatist framework, it remained a conventional employers' association.

During the period of economic growth in the decade to the 1997 East Asian Financial crisis, the distinctive strategic change for the SNEF after 1987 was in greatly extending selective and elective services. As a consequence the SNEF revenue dependence on fees fell from over 90 percent in the 1980s to 30 percent in 1998. The focus on the workplace, raising productivity, introducing a flexible wage system (FWS), and similar initiatives shifted the Federation's objectives to a 'micro-level' for economic performance in contrast to representing interests. This reflected that the NWC too had become an institution of *partners*, rather than representatives, although the motif of partnership was evident earlier.

The new orientation was actively encouraged by the NWC's qualitative wage guidelines and the FWS with its variable wage components. Critical here, was that the government and the NWC were committed to limiting wage rises to less than productivity growth. Membership numbers steadily grew as did membership density, to 20 percent of the workforce. Finally, internal decision mechanisms – notably through informal and private consensus-seeking – were refined, and complemented the *modus operandi* of the NWC and the raft of tripartite bodies. Problem solving, pragmatism and national economic performance underpinned the activities of tripartite partners.

Finally, Period Five (1998-2004), was distinctive for the SNEF's development in that it was joined by considerably more active state agencies in pursuing micro-level

improvement. Perhaps most important, the new MOM received an expanded remit from the government to plan, develop, and enhance the national workforce. Renewed efforts to diffuse the FWS through the economy commenced after the East Asian crisis. Only a very small minority – less than 10 percent – of employers had, in fact, introduced the MVC in 1999. This jumped to a third in 2004 (and continues to rise to the present). The implication from this data was that employers also lacked enterprise in pursuing national competitiveness and implicitly that the SNEF saw 'less urgency' in this matter than either the PAP or the NTUC.

9.3 The SNEF's Roles and Behaviours in Singaporean Industrial Relations

(a) Period One: Early Employers' Associations and the Foundations of a National Industrial Relations System

Period One incorporates the analysis in the empirical Chapter Three – from 1945 to 1971. As mentioned above, the first conclusion is that employers associations formed as employers' collective defence in the face of industrial strife. With a political context spanning three stages – the post-World War II colonial stage, an interregnum where political activities spanned two emerging countries (Malaysia and Singapore), and post-colonial Singapore – the unifying presence was the PAP's central policy of securing stability and control over labour. Broadly, in pursuing political stability and power (and isolating opposition), the PAP deployed arguments based on its key values of pragmatism, meritocracy, multi-cultural society and attempted to embed these in a societal commitment to common ideology. In industrial relations, the PAP's isolation of the SATU and Communist union leaders began its path to squeezing collective industrial conflict out of the system. The establishment of the IAC furthered this and, represented its laying the foundations of a national industrial relations system designed around a corporatist institutionalising of central actors and roles.

For employer associations, the system readily absorbed a new association – the NEC in 1965 representing local employers' interests – through, sharing a consistent strategy with the SEF. For labour unions, when the NTUC chose its modernisation path in the later 1960s, it signalled an effective step in knitting this central interest group into the system. As shown in this chapter, employers' associations strategically chose to engage with unions and the new industrial institutions in defending and advancing their members' interests.

(b) Period Two: Employers, the NWC and the First National Corporatist Platform

Chapter Four explores an extending PAP policy of national engagement of industrial relations key groups. In this period, industrial relations remained centrally important. For, despite the significant fall in industrial strife after 1965, disputes continued, and perhaps more importantly, lingering fears of industrial instability remained in government thinking. In establishing the NWC in 1972, the PAP formed the first common platform for the corporatist actors to interact collaboratively, building close personal and institutional relationships within the Singaporean variant of corporatism. In large part, this flowered from the 'closed-door' consensus-seeking decision-making mechanism used in the NWC procedures. In doing so, the NWC managed to expose a certain hollowness or a fragility in having multiple employer voices not apparent in a more unified system. While the NWC was, as its title indicates, a wage setting body, its effects were far wider.

Despite the voluntary status of its guidelines, the Council successfully distanced wages from its traditional role in industrial relations, because employers generally accepted its recommendations. Indeed, this obliged the IAC to significantly alter its activities. Importantly, two interlinked features of the NWC contribute to this argument.

While the NWC applied a relatively conventional quantitative orientation to its wage guidelines, it additionally adopted a more inventive basis. Its wage-setting succeeded in mixing a range of factors – like other contributions such as the CPF, new wage principles, such as 'off-setting', and similar underpinning – into its deliberations. In the short term, this proved effective in dealing with the 1973 oil crisis and its aftermath. In the longer term, it foreshadowed a process of shifting assumptions guiding the setting of wages and conditions away from an entitlement to a performance basis. What was particular about the Singaporean experience was that this shift occurred at both enterprise and national levels.

In part complicating this picture was the PAP's new economic policy in favour of high-technology development through its second industrial revolution in 1979. This meant higher wages, and with the NWC assertively implementing the policy, it immediately put the developing close personal and institutional 'strong relationship' amongst the corporatist actors to the test.

For employers associations – focusing on the SEF as the primary association – the period saw stability in leadership, consistency of views and a continuing focus on its collective representative role, particularly at the national level. However, the employer associations' broadening role in additional tripartite bodies succeeded in raising employer awareness and membership of associations. The SEF grew steadily, despite economic pressures on employers, with member numbers increasing 17 percent over five years (SEF *Annual reports*, 1974-1979). However, member fees income rose by 65 percent, with more dependence on this source of revenue (SEF *Annual Reports*, 1975-1979). In short, employers in responding to crisis and events, remained wedded to representing employer interests. The PAP's second industrial revolution from 1979

prompted employers to seek ways of softening the impact of its effect, but it also marked a more important change.

For corporatism, a key feature was surfacing. At an institutional level, as the Singaporean corporatist system was growing and developing, it was fostering a shift in the character of the actors – they are progressively less conceived of as representatives of sectional interests, and more as partners in a unifying objective of raising national economic performance. As well, the use of 'closed-door' consensus-seeking commenced a grounding of general values, such as pragmatism and committing to a common ideology, in the detailed behaviour of the nascent corporatist 'partners'.

(c) Period Three: The SNEF and its Early Years – Establishment of the National Corporatist Institutional Framework

Period Three – examined in Chapter Five – completes the national corporatist framework, thereby extending the PAP policy of national engagement of key partners in the framework and the industrial relations system. In triggering the amalgamation process in November, the PAP Labour Minister Ong Pang Boon, pointedly identified the need for a single employer voice. The speed of the employers' response, the negotiating process, and the oversight of a senior MOL official, were all features indicating the predominant role of the PAP in the SNEF's formation.

It now becomes apparent that the difficult task of restructuring Singapore's employers' associations – to form the SNEF – is resolved through the PAP's 'weight of authority'. Moreover, a more fateful trajectory of change was evident. No sooner was the NWC 'completed', further tripartite bodies flowered, concluding that the second industrial revolution translated into multiple action plans. The tripartite bodies created were soon at work addressing long term policy, or short-term issues. These types and

other activities of the tripartite groups were continuing to extend the reach of the corporatist framework into additional areas.

For the argument here, crucial features in defining the period were those unfolding in the impact of the second industrial revolution for employers. The NWC became the vehicle for building macro-level pressures on firms through raising wages, and linking components to productivity. Firms operating in Singapore needed to significantly reassess their operations and future strategies. At the same time, intending FDI firms gained new opportunities in higher technology activities. In part, these policy effects underpin the prominent success of the SNEF amalgamation – as local firms soon came to experience the demands of global economic pressures, already known to MNCs. At the firm level, all employers were increasingly expected to respond – in the national interest – to such global pressures.

The PAP again drew on overseas experience, in adapting policies for domestic application. In promoting the virtues of Japanese production and employment systems from the early 1980s, it drew on 'Asian' values of hard work and conscientiousness in forging an amalgam with pragmatism, meritocracy and common ideology. With this, Japanisation intensified the trajectory of change, drawing the SNEF's focus closer to workplace practice, as well as broadening its global horizons through information seeking on Japanese systems. Particularly in later years, the SNEF seeks to learn from the Japanese on how to handle the escalating problem of ageng workers in Singapore. Indeed, the Japanisation initiative marked the *first initiative* of the PAP government to actively manage features of *firm level* labour utilisation and behaviour, as part of its broad LMR policy for Singapore, embedded in the new-style NWC.

The new-style NWC corporatist framework, while remaining centred on national wage setting, turned to crafting more procedural guidelines in emphasising flexibility

and productivity. These corporatist processes were re-focusing on *developing and implementing* the NWC decisions to improve firm level performance. In response, the SNEF building on its collective roles, turned to expanding selective and elective services, mainly through the provision of information and training, and limited elective services. In short, the SNEF, like the NTUC, was drawn into the central role in implementing policy centring on the firm. From these developments, industrial relations mechanisms followed, with the SNEF focusing collective bargaining at the enterprise level.

Yet the newly established system, particularly the high-wage strategy pursued by the government was perhaps too ambitious, and hasty. With an unexpected electoral setback of Singaporean experiences in 1984, the PAP also faced a recession the following year, in 1985. It was largely precipitated by the pursuit of high wage development policies. It was a critical event in triggering a change in orientation.

(d) Period Four: The SNEF and Consolidation of the National Corporatist Institutional Framework

Period Four - examined in Chapter Six – consolidates the national corporatist framework in three crucial ways – restructuring wages policy, extending tripartite activities and significant change in the SNEF strategic policy in the corporatist system. These features address the questions of the SNEF's role in tripartite industrial relations and the development of the Singaporean corporatist system.

The quickly established ERC, as the government's response to the recession, identified the loss of international competitiveness as central to Singapore's situation. Key recommendations focused on wage and labour market reforms as well as enhancing productivity gains. While not surprising, their implementation showed marked changes in wage structure – where an employees' overall wage was to consist of a basic, Annual

Variable, and Monthly Variable Components (AVC and MVC respectively), with recommended maxima, as well as other wage limitations. The link to productivity was explicit through developing and using KPIs in setting the variable components, as was the capacity to reduce wages, without employee resistance. The NWC quickly introduced a wage freeze, but it also adopted these ideas into its guidelines during this period. In part, this succeeded in asserting the role for industrial relations decisions in this institution.

What is distinctive over the following decade is first, that despite relatively poor take-up by employers in its strict form, the NWC guidelines were highly successful. In the 12 years after the recession GDP growth exceeded 100 percent, while wages growth was limited to approximately 80 percent. Singapore enjoyed growth and development over these years, in contrast to some other countries. Moreover, the critical event that triggered further corporatist changes – the 1997 East Asian Financial Crisis – suddenly struck outside the country.

The second distinctive feature of the consolidation period of the national corporatist framework is perhaps more important. The SNEF strategically and resolutely pursued the expansion of its activities in the implementation phase or component, of the corporatist system. The SNEF undertook a *multi-level implementation* role in the framework. Although this was primarily in industrial relations and workplace issues, its participation in tripartite bodies on broader social issues such as aging and health care costs, continued. In contrast to the previous period, when the framework's partners – including the SNEF – were assembled, the post-1985 recession years witnessed the institutional consolidation. The latter is centred on the SNEF activities mentioned above. More significantly, were its activities in developing, providing, delivering or partnering with others, in offering selective and elective services to its members, and the

wider business community in Singapore. Within a decade, the SNEF's revenue dependence on members fees *fell over 60 percent* – from over 90 percent to approximately 35 percent from the late 1980s to 1996. In large part, the SNEF became increasingly deeply entrenched in the Singaporean framework.

A third distinctive feature of this period is the alignment of consensus-seeking in the system. Not surprisingly, the SNEF strategy over this period centred on it consolidating its role in the corporatist framework. In addressing the question of the SNEFs role in the development of industrial relations, the latter chapter outlines the vital role played by the pattern of leadership and decision-making. The leadership pattern of continuity and stability in the SNEF's Council leadership – under Stephen Lee for most of this period – and a more rotational leadership at the IRP level, allowed 'feedback' and practical employer 'concerns' to flow upwards, but more importantly, informal consensus-seeking mechanisms in decision making, *effectively connecting* the SNEF strategy with viable business outcomes in *implementing* policy, in the NWC corporatist framework. In effect, the 'closed-door' consensus-seeking at the NWC level, was matched, albeit a little differently, within the SNEF. This points to notable 'top-down' yet 'harmonious' features of the Singaporean system.

In sharp contrast to the 1985 recession, the end of the consolidation period is marked by an externally caused crisis – the 1997 Asian Financial crisis. It was a critical event in triggering yet another change in orientation.

(e) Period Five: The SNEF and Micro-Managing of the National Corporatist Institutional Framework

Period Five – examined in Chapters Seven and Eight – identifies a final period in the Singaporean corporatist framework considered in this study, as 2004 saw the Prime Ministership passing to Lee Hsien Loong, from Goh Chok Tong. The period

differs in two crucial ways. First, the driving features of the government's economic policy are marked by a greater orientation to implementation of flexible and responsive actions in the NWC corporatist framework Second, a significantly more active role of state agencies in economy flexibility and responsiveness.

In May 1997, the PAP established the CSC inquiry into national competitiveness. Not surprisingly, in reporting in November the following year, the Committee called for urgent efforts in wage reform, coordinate national efforts in labour market change, and economic restructuring. The first areas of these recommendations, involving the NWC, will be discussed below. Significantly, the government agency directly involved in the NWC – the Ministry of Labour (MOL) – changed its title to the Ministry of Manpower (MOM), in April 1998, more than six months prior to the release of the CSC report and recommendations. Crucially, the MOM took on the role of developing and coordinating Singapore's national manpower strategy for the future. This development was identified by the government with the continuing vulnerability of the country to adverse global economic winds – witnessed in the 1997 Asian crisis, the 2000 technology crash, and the 2001 US terrorist attacks – and by the new demands of the knowledge economy.

The renaming of the labour department, first signals an expanded and active role for the MOM as a state agency, in developing and planning enterprise and workplace activities around managing human resources. The MOM's structure incorporated new divisions directly addressing issues such as workforce planning, augmenting 'talent capital', human resource capability development, and similar areas. Traditional labour relations diminished in its focus. Second, it signals more *detailed coordination of state policies and capacities* with the NWC corporatist framework. The new MOM, as a NWC member, commands considerable authority as a state agency of the PAP

government, in determining the NWC national wage guidelines and similar recommendations. The more detailed activist state role in traditionally employers issues, also commenced with the MANPOWER 21 programme – crucially, articulated with the SNEF 21, NTUC 21 and MOM 21 programmes for each of the partners.

In considering the wage reform process, it is clear that the NWC and the government observed disappointing results in employers adopting the FWS, particularly the more cost sensitive monthly rate (MVC). Accordingly renewed efforts through the NWC ensued, including a Tripartite Taskforce on Wage Restructuring appearing in 2003, and recommending a Competitive Based Wage System. Over the six years to 2004, the economy wide adoption rate for MVC reached about a third of employees. Moreover, as in previous consolidation period, the NWC guidelines were qualitative and flexible, and similarly successfully achieved higher GDP growth than wage rises. Interestingly, the MVC rate of adoption in unionised establishments, rate was over two-thirds of employees, more than twice non-unionised firms. The MOM surveys showed that employers' resistance clustered around two attitudes – first, satisfaction with the current system, or seconds, the costs in changing their current practice. These views highlight the trajectory of this final period of the Singaporean industrial relations and corporatist system – the focus on coordinated and detailed *implementation of policy in enterprises*, and the need for employee *and management enterprise* in developing and using effective practices consistent with the demands of the knowledge-based global economy.

Finally, the SNEF responsiveness to policies and processes – the NWC, national inquiries, tripartite bodies and similar – further consolidated its position. Importantly, its role focused increasingly implementation processes, with a more activist role by state agencies, especially the MOM. As Singapore moved towards a nationally coordinated

economy at a micro-level under the authority of the PAP government and its agencies, the corporatist framework continued to institutionally link the partners to a wide range of industrial relations and socio-economic policies. The SNEF leadership remained stable, membership is increasingly, with more recent indications this trend continues. Critically, the development of informal 'soft power' and influence through a myriad of networks intertwined with the formal bodies has built mechanisms in the Singaporean corporate systems enhancing its status and effectiveness.

9.4 Broad, Theoretical Conclusions from this Thesis

(a) Singaporean Employers' Associations and Industrial Relations

This study contributes to the broader understanding of the Singaporean system, through the role of employers' associations and, particularly the SNEF. In the formative years, and immediate post colonial periods of the industrial relations system, Singaporean employers' associations were similar to (the mainly Western) research literature. This study points to three differences – first, the political/national context was contingent. Singapore was a small nascent country with a low level of industry diversity and regional threats and fears were apparent. Second, following from this, the consistency of views of employers' associations in this period derived from both the size and external threat factors. Third, the rising influence and strong leadership of the PAP government, and the Minister Mentor Lee Kuan Yew, diminished the need for employer associations to engage in collective defensive action most of the time (although it did when required, such as during the NTUC's proposal to allow executives to join trade unions).

With the government successfully implementing a selective legislative, institutional and political program in the decade from 1960 to reduce industrial strife and eliminate opposition union leaders, the SEF and other associations required

relatively fewer 'front-line' activities than their counterparts in other countries. This study shows very few, if any, widespread industrial campaigns – defensive or offensive – against unions in Singapore. The PAP government's initiatives have pre-emptively structured Singaporean industrial relations – from sponsoring the NTUC in the early 1960s, to 'works councils' in 1965, to the NWC in 1972, to 'productivity committees' in 1975, to 'work excellence committees' and 'quality control circles' in the 1980s (Ng and Cheng, 1993). Yet, these initiatives were grounded in a collective, oppositional and representative model of economic (and political) relationships. The objective of emphasising pragmatism, meritocracy, national common values, combined with the extensive and visible promotion of cooperation and collaboration labour-management relations was to *surmount* industrial conflict by other means. This, overtime, the PAP consistently reinforces as 'national interests above self'. The SEF, the NEC and the early SNEF shared this foundation.

The most substantial finding for employers' associations in this study relates to the changes after the early 1980s. The formation of the SNEF unified employer representation on the NWC in 1980. However as noted, the SNEF retained a collectivist labour orientation and apolitical status. It was the experience of the 1985 recession that stepped up a fundamental shift in a process of decentralising industrial relations in the Singaporean labour-management relations. The increasing emphasis on micro-level processes, variability in (wage) costs, 'enterprise' in the economy, enterprise in managing employees, and similar policies and programmes, point to a *shift in the foundations* of managing labour. True, the institutions of industrial relations – unions and employers' associations – remain. The entry of the MOM in developing and delivering similar, if not the same services perhaps shows that the government is wary

of employers' capabilities to do this effectively. The trajectory of the current period has yet to be played out.

The author found Sheldon and Thornthwaite's (1999) model particularly useful in illustrating how the SNEF evolved over time, particularly when used in relation to selected critical events. That model draws on comparative case studies of Western employers' associations as a platform to help explain why and how employers' association make their strategic decisions. The dynamic interactions of the various factors within this model are useful for longitudinal case study because employers' associations evolve with time and contexts. To stay relevant, they make strategic choices in response to changes in both their internal and external environments.

As used is in Chapters Three to Six, the application of this model through various periods has allowed for the visualisation of these dynamic interactions in relation to the SNEF (as well as its predecessor, the SEF). Of particular importance for the SNEF has been its external environment – especially those elements under the control of the PAP's policy making or linked to the global economy. Another (and connected) important factor has been Singapore's relevant industrial relations history and traditions – particularly its increasingly embedded tripartite corporatist system. Competing employers' associations were not a factor nor was the union threat effect often visible in the West. Association purpose and its internal dynamics combined to provide a relatively even effect over time. This is true particularly given the SNEF's internal consensus mechanism under which its formal and informal processes operated. In turn, this contributes to the stability and effectiveness of the SNEF leadership. In sum, is had been the external environment that were the dominant factor shaping the SNEF's decision making. In large part, this was due to the fact that those external relationships largely neutralised potential frictions in the organisation's internal

dynamics. It did so by providing the SNEF and its leadership with a clear set of symbolically important representative roles and tasks and a heavy cloak of official and network-based legitimacy. In the end, the PAP and its corporatist system was more important to the SNEF's achievement of associability and governability; a situation with which all membership groups – including the foreign ones – seemed to concur.

(b) Singaporean Industrial Relations and Corporatism

The author now turns to understanding of the Singaporean corporatism in comparative context. Referring first to the discussion of the literature in Chapter Two, which identifies, three types of corporatism at the macro-level – societal, state and bargained. This study suggests that neither of the three types are able to fully capture key features of the Singaporean system. However given the predominant role of the state and, its extensive influence within the Singaporean corporatist framework, Singapore clearly leans towards being a paternalistic state corporatist system. Given this assessment, this study draws attention to first, the institutional framework, and second, features of the role of employers. And in the latter, whether the SNEF is merely an extended 'arm' of the PAP government.

An understanding of Singaporean corporatism extended the institutional framework over the period examined. Certainly the emergence of the NWC marks a foundation – but this body was built on existing joint bodies. Of these the relationship between the NTUC and the PAP government is fundamental. In the formative period, the government's concern with industrial strife merged with concern over social instability and its own political priorities. The PAP's symbiotic relationship with the NTUC remains an integral part of the Singaporean industrial relations model today. This study shows that the SNEF, from its formation in 1980 urged by government, is

similarly a close partner in the corporatist system. But this is perhaps for different reasons.

The extent of the SNEF participation in a myriad of tripartite bodies and agencies is considerable. This emerges for two primary reasons, first a key government objective is economic growth and investment, which in turn contributes to social instability. Without growth, employment declines and instability arises. Second, this study shows the key role of the SNEF, and other employer groups, play in ensuring the implementation of the NWC guidelines, but also a wide range of government policies and programmes.

In concluding, this role clearly points attention to the SNEF's strategic choice, namely an activist 'engagement' in its corporatist role by balancing its relationship with the PAP government and the needs of its diverse membership within the Singaporean corporatist framework. Overtime, the SNEF consistently engages the same strategy which has proven to be highly successful.

Importantly, the nature of the SNEF strategic choice is heavily dependent on a unique pattern of informal, or 'closed door' consensus-seeking decision-making. An important finding of this research is that this 'consensus-seeking' bestows legitimacy on the SNEF and indeed pervades Singaporean policy development and implementation. Crucially it facilitates a unique form of pragmatic governance. While for Western writers, the Singaporean system of consensus in the PAP policy of 'national interests above self' may be more of an ideology of control, rather than consensus, in practice, it points to a different conceptualisation of the concept of consensus. This mechanism is deeply embedded in the Confucian-based culture of reverential authority (rather than 'rational' authority). Accordingly, the SNEF is an organisation that strategically chooses to work from within the Singaporean system, but remains independent.

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APPENDICES

Appendix 1: Singapore Consumer Price Index (2004 = 100)

Year	Index	Annual Inflation rate	Year	Index	Annual Inflation rate
1961	31.9	0.3	1984	76.6	2.6
1962	32.0	0.5	1985*	77.0	0.5
1963	32.7	2.2	1986	75.9	-1.4
1964*	33.3	1.6	1987	76.3	0.5
1965%	33.3	0.3	1988	77.5	1.5
1966	34.0	2.0	1989	79.2	2.4
1967	35.1	3.3	1990	82.0	3.4
1968	35.3	0.7	1991	84.8	3.4
1969	35.3	-0.3	1992	86.7	2.3
1970	35.4	0.4	1993	88.7	2.3
1971	36.0	1.8	1994	91.4	3.1
1972	36.8	2.2	1995	93.0	1.7
1973^	44.1	19.6	1996	94.3	1.4
1974^	53.9	22.3	1997	96.2	2.0
1975	55.3	2.6	1998*	95.9	-0.3
1976	54.2	-1.9	1999	96.0	0.0
1977	56.0	3.2	2000	97.2	1.3
1978	58.2	4.8	2001*	98.2	1.0
1979	60.6	4.0	2002	97.8	-0.4
1980	65.7	8.5	2003	98.3	0.5
1981	71.1	8.2	2004	100.0	1.7
1982	73.9	3.9			
1983	74.7	1.2			

Note:
* year when Singapore encountered a recession.
%Singapore achieved independence on 9 August, 1965.
^Oil Shock 1973-1974
Source: Singapore Department of Statistics
(http://www.singstat.gov.sg/keystats/economy.html)

Appendix 2: Singapore GDP at 2000 Market Prices

Year	Overall GDP (S$m)	% Growth	Year	Overall GDP (S$m)	% Growth
1960	6,710.8		1984	52,004.5	8.3
1961	7,246.5	8.0	1985*	51,254.0	-1.4
1962	7,751.4	7.0	1986	52,341.5	2.1
1963	8,521.7	9.9	1987	57,486.3	9.8
1964*	8,194.2	-3.8	1988	64,081.7	11.5
1965	8,807.5	7.5	1989	70,497.8	10.0
1966	9,755.8	10.8	1990	76,996.4	9.2
1967	10,948.3	12.2	1991	82,043.3	6.6
1968	12,432.8	13.6	1992	87,244.0	6.3
1969	14,121.0	13.6	1993	97,480.6	11.7
1970	16,057.5	13.7	1994	108,756.3	11.6
1971	17,984.5	12.0	1995	117,625.2	8.2
1972	20,402.8	13.4	1996	126,788.6	7.8
1973	22,679.9	11.2	1997	137,364.0	8.3
1974	24,057.6	6.1	1998*	135,472.6	-1.4
1975	25,034.8	4.1	1999	145,229.8	7.2
1976	26,801.6	7.1	2000	159,840.4	10.1
1977	28,887.6	7.8	2001*	156,006.3	-2.4
1978	31,348.1	8.5	2002	162,491.6	4.2
1979	34,301.4	9.4	2003	167,549.3	3.1
1980	37,631.7	9.7	2004	182,301.1	8.8
1981	41,294.7	9.7			
1982	44,236.9	7.1			
1983	48,003.5	8.5			

Note: * year when Singapore encountered a recession.
Source: Singapore Department of Statistics
(http://www.singstat.gov.sg/keystats/economy.html)

Appendix 3: Singapore Per Capita GDP at Current Market Prices

Year	S$	US$	Year	S$	US$
1960	1,306	427	1984	14,696	6,890
1961	1,368	447	1985*	14,267	6,484
1962	1,436	469	1986	14,345	6,588
1963	1,554	508	1987	15,613	7,414
1964*	1,474	482	1988	17,975	8,932
1965	1,567	512	1989	20,040	10,275
1966	1,718	561	1990	21,915	12,091
1967	1,895	619	1991	23,785	13,768
1968	2,145	701	1992	25,067	15,388
1969	2,458	803	1993	28,360	17,552
1970	2,798	914	1994	31,575	20,672
1971	3,237	1,061	1995	33,897	23,915
1972	3,807	1,354	1996	35,552	25,212
1973	4,677	1,903	1997	37,498	25,255
1974	5,655	2,321	1998*	35,115	20,982
1975	5,943	2,506	1999	35,371	20,869
1976	6,392	2,587	2000	39,683	23,019
1977	6,902	2,829	2001*	37,014	20,659
1978	7,581	3,334	2002	37,762	21,089
1979	8,618	3,963	2003	38,434	22,061
1980	10,405	4,859	2004	42,833	25,340
1981	11,598	5,490			
1982	12,366	5,779			
1983	13,725	6,495			

Note: * year when Singapore encountered a recession.
Source: Singapore Department of Statistics
(http://www.singstat.gov.sg/keystats/economy.html)

Appendix 4: Singapore Unemployment Rate (%)

Year	%	Year	%
1970	8.2	1990	1.7
1973	4.4	1991	1.9
1974	3.9	1992	1.8
1975	4.5	1993	1.7
1976	4.4	1994	1.7
1977	3.9	1995	1.8
1978	3.6	1996	1.7
1979	3.3	1997	1.4
1980	3.5	1998*	2.5
1981	2.9	1999	2.8
1982	2.6	2000	2.7
1983	3.2	2001*	2.7
1984	2.7	2002	3.6
1985*	4.1	2003	4.0
1986	6.5	2004	3.4
1987	4.7		
1988	3.3		
1989	2.2		

Note: * year when Singapore encountered a recession.
Source: Singapore Department of Statistics
(http://www.singstat.gov.sg/keystats/economy.html)