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## **Promoting Union Social Responsibility: Going for Universal Labour Guarantee**

*By Chew Soon Beng*

### **SYNOPSIS**

*The objective of the International Labour Organisation in achieving Universal Labour Guarantee can be better realised if the UN agency can persuade labour unions worldwide to embrace Union Social Responsibility.*

### **COMMENTARY**

THE INTERNATIONAL Labour Organisation (ILO) is a UN body which is concerned about the welfare of workers worldwide. The latest recommendation of the ILO is universal labour guarantee (ULG) for all workers. ULG is human-centered. The basic requirements are worker safety, decent working conditions, and a living wage.

The conditions of labour markets worldwide have improved significantly. Apart from labour markets in failed states, workers are no longer treated as a commodity. But we should aim even higher than this because current work not only provides income for the food and lodging of workers, it also affects the earnings capacity of future generations of workers. ULG is hence timely because it aims to allow workers to work with dignity and prevents society from falling into the poverty trap.

### **Universal Labour Guarantee**

But the goal of ULG cannot be realised without more significant effort by the tripartite partners, especially the labour unions. As we know, in order to maximise profit, businesses relentlessly use technology to trim costs. As a result, many jobs are made redundant. This puts existing workers at the mercy of employers.

One may argue that many large employers have now embraced corporate social responsibility (CSR). But the main focus of CSR is the firm's policy and directions

about the society and the external environment rather than the working environment within the firm.

For the ILO to achieve ULG, ILO needs to work toward the transformation of labour unions. There is a wide variety of labour unions which use different strategies to improve the wellbeing of workers. Unfortunately, some labour unions end up chasing firms away.

In such cases the behaviour of these unions, instead of protecting them, hurt the very workers they aim to protect. Of course, all unions want to improve the working conditions of their union members. All labour unions would support ULG as this is part of union DNA.

To achieve ULG, labour unions have to work with management. It takes both the firm and the labour union working in harmony to ensure that the collective bargaining process is not adversarial. Unions need to understand how firms behave in order to achieve a win-win outcome.

Unions also need to work with the government under a tripartite framework that is not toxic but strategically support the goal of economic development. When the pie is bigger and when the GDP growth rate is respectably adequate, there is room to improve workers' share of the reward.

### **Right Type of Labour Unions**

At the risk of over-simplification, we can classify labor unions as micro-focused and macro-focused. Micro-focused unions look after the interests of the union members. Hence, they relentlessly demand higher wages and better working conditions. A typical reaction of employers to this approach is to retrench some workers.

These retrenched workers are likely to move to non-unionised plants or to the informal sector, causing wages to fall in these sectors. Hence, micro-focused unions protect union members at the expense of the workforce.

Macro-focused unions, on the other hand, would not simply demand higher wages as this is likely to cause retrenchment. Instead, they want higher wages to be justified on the basis of higher productivity and higher profitability. But to justify higher wages based on higher productivity, macro-focused unions must work with management to raise productivity.

At the macro level, macro-focused unions also work with the government to attract foreign investment. As labour markets become tighter, wages would naturally increase. This is a win-win outcome for the tripartite partners, i.e. the unions, the employers and the government.

### **Macro-focused Unions as a Public Good**

However, one can say that macro-focused unions produce a public good. In other words, they care about the impact of their actions on society. Given the nature of the public good, workers have an incentive not to join the union as they can free-ride.

Hence, when labour unions embrace union social responsibility, they may lose union members. If nothing is done to overcome this free-rider problem, there will be no macro-focused unions. And micro-focused unions cannot deliver a win-win outcome.

To overcome the free-rider problem, macro-focused unions need to offer incentives that are exclusive to union members and, at the same time, do not cause the labour cost to increase. The answer is non-collective bargaining union benefits.

Macro-focused unions can provide non-collective bargaining union benefits to induce workers to join the union. Examples of non-collective bargaining union benefits are union bursary for children of union members.

In some countries, unions run cooperatives. Union members receive discounts when they shop at these cooperatives. However, most unions would face financial difficulty in providing significant union benefits to the members. This is where the government can assist.

It is in the interest of the government to help macro-focused unions to provide more non-collective bargaining union benefits on the ground of the public good. One can say that if the union is macro-focused, the tripartite framework will be pro-active in solving workers' problems and enable the attraction of more foreign investment, achieving the goal of ULG in an escalating manner in terms of improving standards of living for every generation.

### **Labour Unions in Singapore**

There are very few countries with macro-focused unions. One such country is Singapore. The Singapore labour movement is represented by National Trades Union Congress (NTUC). The fact that Singapore has progressed rapidly from a low income country to a high income country within the four decades is an achievement which would not have been possible without the contributions of NTUC as a macro-focused labour organisation.

In order to protect the right to work and earn a living wage, unions must find innovative ways to ensure that wages keep pace with inflation and productivity and at the same time avoid compromising the competitiveness of the economy.

NTUC's Progressive Wage Model stipulates that workers in certain sectors such as the cleaning industry cannot be paid less than \$1,000 monthly and at the same time, wages must increase when workers acquire more skills. When prices of basic necessities surge due to external shocks, NTUC via its cooperatives has always been able to ensure that the prices of these basic necessities can be kept at an affordable level.

In the era of artificial intelligence, NTUC saves jobs first before focusing on increasing union membership. To save jobs, NTUC works with the management and the government to ensure that workers can learn new skills while on the job. However, there is a caveat here. It is not easy for a macro-focused union to exist, let alone flourish.

For the ILO to achieve ULG, ILO must urge all unions to be macro-focused. For macro-focused unions to survive, unions must work with the management and the government. The government has to be forward-looking and to be pro-growth. ILO's new mandate must be to persuade labour unions to embrace union social responsibility.

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*Dr Chew Soon Beng is a Senior Fellow with the International Political Economy (IPE) Programme at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore.*

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**Nanyang Technological University**

Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798  
Tel: +65 6790 6982 | Fax: +65 6794 0617 | [www.rsis.edu.sg](http://www.rsis.edu.sg)