



Newsletter – Apr. 2009

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## Employment/Unemployment

As recent as 50 years ago, employers determined **ALL** the terms and conditions of employment for those who worked for them. Today, in most of the developed countries, employers could at the most perhaps determine about 10% of the terms and conditions of the people they employ. Perhaps 20% of the terms and conditions are determined by the market forces - meaning - what other employers/employees are doing. The substantial remaining 70% is set by the "indirect employer" - the State/Government and the trade Unions..

Take Singapore for instance. In private sector employment, the Government as indirect employer determines the number of hours a day an employer can make an employee work, the number of hours a week, the number and frequency of rest days, employers need to insure workers, provide sick leave, hospitalisation, maternity leave, retirement savings to be put aside for and on behalf of the workers, and for foreign workers, even the standard of their living quarters. In many other countries, employers do not even have an absolutely free hand to determine the remuneration - the pay of his employees. There are laws and Employee/workers' Unions specifying a minimum wage and pay scales.

In the 1981 **Encyclical, "On Human Work"**, the role and the responsibilities of "The Indirect Employer" were highlighted. The Encyclical also defined the main responsibility of the indirect employer as that of "**establishing an ethical labour policy ... (and that) A policy is correct when the objective rights of the worker are fully respected.**"

This, the Encyclical acknowledged, is the simplified picture. There are numerous interrelated economic forces, affecting the pay, the working conditions and the life of the worker.

Employers of the more developed countries have always taken jobs out



of one market, to go to a remote corner of the world where they have 90% control over the terms and conditions of their employees, dictated by two rules only, viz: minimum possible outlay to get the quality and quantity of work hours from their workers, and, maximum profit for the employer.

The workers in Singapore were once on the receiving end. In the mid 1960s the American MNCs, mainly labour intensive electronic industries, came here to pay our school leavers \$1.50 for a day's work. By the mid 1970s when our workers became more skilled and was earning more, and when the Indirect employers (Government and Unions) bargained and got better terms and conditions for the workers, these employers moved their businesses to Penang, Malacca, and then to Indonesia, Bangladesh, and other places where the indirect employers are weak and they the direct employers can dictate 90% or more, of the terms of employment.

Employers have also resort to the use of "permanently temporary" workers, use "agency workers", parcel out and sub-contract work to small disorganised group of workers, etc. to avoid their responsibilities as employers. This is currently practised in many countries including Singapore, to sidestep the conditions set by the indirect employers.

The Encyclical also teaches that ..."**we must first of all recall a principle that has always been taught by the Church: *the principle of the priority of labour over capital*. This principle directly concerns the process of production: in this process labour is always a primary *efficient cause*, while capital, the whole collection of means of production, remains a mere *instrument* or instrumental cause. This principle is an evident truth that emerges from the whole of man's historical experience.**"

**"The role of the..indirect employer is to act against unemployment, which in all cases is an evil, and which when it reaches a certain level, can become a social disaster. It is particularly painful when it especially affects young people, who after appropriate cultural, technical and professional preparation fail to find work, and see their sincere wish to work, and their readiness to take on their own responsibility for the economic and social development of the community frustrated."**

This leads us to the question, - why American and European Governments are spending trillions of the country's tax dollars to rescue big Banks, while devoting next to nothing of the nation's resources to rescue jobs for the ordinary people?

It was therefore gratifying to see that a few months ago when the Singapore Government decided to do something to lessen the worst effects of the world economic downturn, it decided to focus its rescue efforts to protect jobs instead of rescuing the Bank Directors and shareholders.

### **Spend, Spend, Spend.**

In the same way, this concept of “the indirect employer” should be extended to Banking. It is for the good of any society that young people work hard and save a portion of their earnings for the rainy day and for their old age. It is morally wrong that a society spends future earnings for very narrow growth, leave nothing for investments, and racks up a huge debt for future generations to repay. President Obama pointedly told the Americans this recently, and urged them to save. However, faced with the example of the Japanese who had been cheated for more than a decade now, with zero interest on their savings from their Bankers while suffering inflation, the Americans, are not fools to want to act on this advice.

Similarly Singaporeans like most Asians had been responsible savers, but are now also getting nothing for their savings. (What is the current interest paid on fixed deposits today? One half of one percent per annum?) It is no wonder that the young people of the world refuse to heed society's exhortation not to spend every cent they earn and to save for their old age. They could see that their parents had been suckered by the current greedy banking system, becoming the victims, watching their life savings earning nothing in interests when they store it away in the Banks, and meanwhile finding their life savings steadily decimated in successive 10% -12% annual inflation.

It is no wonder that older people with savings become the easy targets of the current unscrupulous banking system to put their future into risky instruments/derivatives, just to stay where they are financially. They have one other way out, - that is to vote for a political party that promises to ensure that their savings will not be swiftly eroded by inflation.

Clearly the Government and the social agents include under the title of the “indirect Bankers” have an important social responsibility here.

At a minimum, the Government and society have to demonstrably show that there are advantages and rewards in saving. In their role as the “indirect Bankers” they have to ensure inflation is kept low, balanced somewhat with interest/investment returns from savings so that that the savings of the young and in particular, those of the elderly, will not be decimated by disproportionately rampant inflation.

The alternative is that the elderly citizens will quickly become destitute, and disaffected, and with their votes at the ballot box, seek an alternative Government, one which will protect their interests. Meantime, the young will continue to spend everything they earn, and as they become older join the ranks of a disaffected and dissatisfied populace.

In Singapore, we are too small to emulate USA – a society of people demanding instant gratification of all material luxuries. We simply do not have the financial clout to become a sub-prime nation like them, spending the projected earnings of their future generations, borrowing from the whole world, eroding the loans by currency depreciation, and with no national resolve to repay the debt in the foreseeable future.

More importantly what kind of future will such a society have?

.....article by mark