

Commentary: Do Lazada layoffs highlight a crack in Singapore's tripartite armour?

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That a large company like Lazada did not consult its workers' union before sudden layoffs highlights both the limits and continued importance of Singapore's unique tripartism approach, says the Lee Kuan Yew School of Public Policy's Terence Ho.

SINGAPORE: Tripartism – the close collaboration between government, unions and employers – is often touted as the [“secret sauce” behind Singapore's harmonious industrial relations](#). It has enabled the smooth passage of policies, such as raising the retirement age, that in other countries may prove highly contentious.

But that a large company such as [Lazada did not consult its workers' union](#) before [sudden layoffs](#) of about 100 employees in early January highlights that there remain chinks in the tripartite armour. To put it more bluntly, are Singapore's unions still relevant if they can be so easily ignored?

The National Trades Union Congress (NTUC) and its affiliated Food, Drinks and Allied Workers Union (FDAWU) expressed deep disappointment that the e-commerce giant had initiated a major retrenchment exercise without notifying or consulting FDAWU, despite being a unionised company.

Granted, companies are under tremendous competitive pressure and may need to move swiftly to reorganise in the face of market developments. Lazada's retrenchment exercise follows on the heels of a similar exercise by its competitor Shopee last year.

Still, a company has obligations towards stakeholders, particularly workers whose livelihoods depend on their employment. And Lazada's recent experience highlights both the limits and continued importance of tripartism in Singapore's labour relations.

LAZADA'S APOLOGY OVER LAYOFFS

Although it is not legally compulsory for companies to consult them, unions play a critical role in safeguarding the interests of employees, including helping them secure fair retrenchment benefits. FDAWU said it did not find Lazada's initial offer of two weeks' salary for every year of service “satisfactory”. There are [reportedly ongoing talks](#) on better benefits.

It is the union's responsibility to call companies out when they fall short. From time to time, the NTUC has found it necessary to highlight unacceptable actions by companies. It called out a security firm last year for carrying out [“forced demotions” of security officers](#) to offset the impact of the Progressive Wage Model (PWM) on wage costs.

Besides going public with its complaint about Lazada's retrenchment, NTUC also escalated the matter to the Ministry of Manpower (MOM). The close relationship between NTUC and the government means that the former's input carries considerable weight with the authorities.

MOM, on its part, has mandated that companies must notify it of retrenchment exercises within five days of notifying affected employees, to ensure that retrenched workers receive support to find new jobs through career services offered by Workforce Singapore, NTUC's Employment and Employability Institute (e2i) or other job placement providers.

The silver lining in this episode is that Lazada quickly responded to the criticism, [apologising to FDAWU](#) and assuring the union that it would be consulted in advance for any future retrenchment exercises.

WORKER REPRESENTATION AMID DISRUPTION

It's easy to be cynical about Singapore's tripartite approach if one thinks of industrial relations as necessarily adversarial. Elsewhere in the world, industrial action is commonplace, with debilitating consequences for all involved.

For instance, the Hollywood screenwriters' strike last year disrupted the production of many films and television shows. Along with the accompanying actors' guild strike, it is estimated to have cost the economy of southern California some US\$6.5 billion and resulted in the loss of 45,000 jobs.

Strikes may also impair essential services, inconveniencing ordinary citizens besides incurring significant economic costs. A strike in Northern Ireland halted train and bus services just days before Christmas last year. A recent transport workers' strike spurred panic buying of petrol and fuel across many parts of India.

Some also wonder whether new modes of work and employment relationships have eroded the relevance of unions in the present era.

However, technological advances and their impact on work have themselves been sources of worker consternation that has precipitated industrial action. For example, the US screenwriters' strike was motivated by a fall in workers' compensation stemming from the rise of streaming media, as well as fears that generative AI such as ChatGPT could put writers' jobs at risk.

These developments suggest that unions and tripartism are more relevant than ever, both in safeguarding the rights of workers as well as helping them cope with the disruptions brought about by technological change and business restructuring. Even ["gig" workers engaged by online platform companies](#) will soon be getting union-like representation in Singapore, recognising the need for greater bargaining power for these workers.

Companies should view unions as partners in business transformation, helping workers adapt to new job requirements while protecting their well-being and interests. This offers the best chance to achieve win-win outcomes for both employers and workers.

COMPANIES AND UNIONS MUST EVOLVE TOGETHER

For this to materialise, both companies and unions will have to be forward-looking in anticipating the impact of technology and other driving forces on the nature of work, and taking proactive steps to equip workers for change. Recently, for example, NTUC's Assistant Secretary-General Patrick Tay underscored the need for a "just transition" for workers as companies adapt to new imperatives arising from climate change.

An advantage that Singapore possesses by virtue of size is that all major companies here have significant interaction with government ministries and regulatory agencies. These are relationships

that go beyond the application for permits and other transactional necessities.

Consultation with companies before the introduction of new policies is commonplace, whether for sectoral or economy-wide initiatives. Many firms also tap on government grants and programmes to strengthen their capabilities and workforce.

Companies that intend to continue doing business here know that it is best to be onside with the authorities. Beyond formal laws and regulations, this makes it possible for the government and NTUC to nudge companies towards responsible behaviour and win-win outcomes for employers and workers. This is often quicker and more effective than hauling companies to court or relying on legal means to enforce outcomes.

Singapore is rightly proud of its tripartite system, which has been nurtured over decades. But it must continue to evolve to meet emerging needs, for the nation's continued economic and societal progress in the foreseeable future.

Terence Ho

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