

# CONCLUSION

Calling Businesses to Action: What's Next?

## CALLING BUSINESSES TO ACTION: WHAT'S NEXT?

In their 1968 book, *The Lessons of History*, historians Will and Ariel Durant made the following point: “In progressive societies the concentration [of wealth] may reach a point where the strength of number in the many poor rivals the strength of ability in the few rich; then the unstable equilibrium generates a critical situation, which history has diversely met by legislation (redistributing wealth) or by revolution (distributing poverty)”.

Nearly 50 years on, their observation still rings true as countries grapple with growing income inequality. Inequality increasingly dominates conversations at all levels, in political, societal and, most recently, business circles. Economist Branko Milanovic asserts that “there is ‘good’ and ‘bad’ inequality, just as there is good and bad cholesterol”.

“Good” inequality, which he defines as inequality of factors such as effort, work and luck, motivates people to study and work hard or start risky entrepreneurial projects. But “bad” inequality, which stems from factors which one has no control over such as race, gender and family background, can lead people to cling on to acquired positions.

There is no easy solution. Pushing for absolute equality reduces the incentive to work, causing the economy to stagnate – a dire outcome for nations dependent on open trade. But widespread inequality is a pernicious threat to societies and businesses if not properly addressed.

While businesses hold much sway over the outcomes, this complex and multi-faceted issue cannot be solved by a single actor. Instead, this issue must be tackled through both the moral and economic lenses. Economic growth is a powerful tool for lifting families out of poverty and narrowing the inequality gap. More importantly, it

attracts investments in key infrastructure, goods and services.

On the other hand, social stratification puts up structural barriers that lead to economic segregation. In such a context, family background plays a key role in determining income outcomes. Where one lives matters too: the “right neighbourhood” connects people to better opportunities. Children born to poor or less educated parents will likely experience lower social mobility compared to the offspring of the rich and well-educated. Unequal access to opportunity deprives children from low-wage families of the chance to realise their intellectual and economic potential.

Today, in Singapore, there are concerted government policies and schemes that directly address the problem of inequality. Examples of these include education programmes – from early childhood development to lifelong skills training, public housing policies, people-centric labour policies, social transfers and support for low-wage families.

The Singapore Smart Nation initiative is another example. The inculcation of the spirit of innovation and constant renewal is fundamental to Singapore’s long-term relevance. Confronting technology disruption and the opportunities that it presents, the Singapore Smart Nation initiative envisions a thriving economy powered by digital innovation that boosts employability and opportunities for its people. This initiative also equips Singaporeans with vital technology skills necessary to remain engaged with society at large.

Government actions alone are not sufficient. Businesses play a pivotal role in tackling disparities. By offering fair and equal opportunities to

employees, they can make a positive impact. Sustainable employment plays a major role in bridging income inequality, where workers are nurtured, and their role in the workforce is assured for as long as they are willing and able to work. In turn, a competitive and engaged workforce is synonymous with business prosperity and a vibrant economy.

SBF is calling on companies to pledge their commitment to sustainable employment in the ways that have been set out in this report.

A self-evaluation tool, Pathway to Sustainable Employment, is available to companies that wish to understand how their existing practices may be contributing to or addressing inequality. A set of actionable suggestions is also included.

SBF will establish a Programme Office to oversee the progress of the recommendations in this report and rally businesses for action. The roles of the office are to:

- Generate awareness and call to action among the business community, Trade Associations and Chambers and Foundations
- Run the Pledge campaign.
- Convene key players for sharing and learning.
- Manage relationships with industry partners, Government, academics and other stakeholders.

Public-private partnerships are needed to develop solutions that would benefit those who are lagging behind. The Programme Office will also establish partnership and engagement models with policy makers to advance the recommendations made in this report.

This report has intentionally excluded philanthropy and employee volunteerism from its scope. However, not-for-profit establishments are well-positioned to address the inequality challenge. The SBF Foundation, a registered charity set up by SBF in 2013, will review this report to further explore its role in addressing the recommendations.

Businesses must act now. Actions around sustainable employment protect both Singapore's competitive advantages and mitigate against societal risks. As the most competitive economy in the world, Singapore is also an open marketplace for talent, innovation and ideas. Businesses protect these advantages when they ensure fair rewards for all. They also help themselves when they help workers. Altruism works best and lasts the longest when it is not founded on charity but compelled by enlightened self-interest.

Conversely, a lack of fairness manifesting in widening income gaps or social stratification will feed political discord and tear up Singapore's social fabric. How the workforce fares may cause productivity to decline, result in a lack of ability, motivation and innovation, and worst of all, breed cynicism, which could cause a breakdown of social norms. Everyone loses when the social compact unravels and resentment sets in.

No business ever believes it is powerful or large enough to cause or arrest national decline. Only the Government has that sway. But this "not my pasal" response is not helpful for Singapore. In the end, it comes down to having the will to act and being clear-headed about the need for short-term adjustments to ensure Singapore survives. This is our call to action.

## **SUSTAINABLE EMPLOYMENT PLEDGE**

Thriving customers, employees and communities lead to better business and healthier long-term growth. Purposeful actions by companies will foster a vibrant economy and society through sustainable employment practices and encouraging innovation. We want to play our part.

- Our employees are critical to our success. We will compensate them according to performance, providing important benefits for their well-being and training and education support to keep their skills and knowledge up-to-date. We offer a work environment that treats every employee with respect and dignity.
- Mature employees are valued assets. We will redesign roles to fit their strengths and abilities and make best endeavour to help them contribute their best to the business.
- Fair and ethical contracts are essential for businesses to grow together. We will be good partners to our suppliers, large and small, and the individuals that we engage.
- We can learn from each other. We will share our best practices in sustainable employment to help Singapore move towards a more caring and inclusive society.

We pledge to make at least one improvement to our practices in sustainable employment every 12 months.