

NATIONAL WAGES COUNCIL SINGAPORE

NATIONAL WAGES COUNCIL (NWC) GUIDELINES 2013/2014

Economic Performance and Labour Market in 2012

1 In 2012, the Singapore economy grew by 1.3%, moderating from the 5.2% growth in 2011.¹ Total employment increased by 129,100 or 4.0% in 2012, slightly above the growth of 122,600 or 3.9% in 2011. The overall unemployment rate remained at a low of 2.0%, unchanged from 2011; while the unemployment rate for residents fell slightly to 2.8%, from 2.9% in 2011.²

2 The Consumer Price Index (CPI) rose by 4.6% in 2012, easing from the 5.2% increase in 2011. The two largest contributors to CPI-All Items inflation last year were accommodation costs, particularly imputed rentals on owner-occupied accommodation (OOA), and car prices. CPI less imputed rentals on OOA inflation, a measure which relates more directly to the actual cash spending of households, was lower at 3.6%.

3 Reflecting slower GDP growth and continued robust employment creation, labour productivity contracted by 2.6% in 2012, after rising by 1.3% in 2011.

4 Basic wages of employees in the private sector grew by 4.5% in 2012, comparable to the increase of 4.4% in 2011. Taking into account bonuses (annual variable component) and employer Central Provident Fund (CPF) contributions, total wages in the private sector increased by 4.2%, lower than the gain of 6.1% in 2011.³ This was on account of the decline in bonuses from 2.32 months of basic wages in 2011 to 2.19 months in 2012, given the weaker economic conditions.

5 Accounting for CPI-All Items inflation, real basic wages declined by 0.1% while real total wages⁴ fell by 0.4%. When adjusted using CPI less

¹ Ministry of Trade and Industry (MTI), "Economic Survey of Singapore, 2012".

² Ministry of Manpower (MOM), "Labour Market, 2012".

³ MOM, Survey on Annual Wage Changes, 2012.

⁴ Total wages include bonuses and estimates of employer CPF contributions.

imputed rentals on OOA inflation, basic wages rose by 0.9%, and total wages⁴ by 0.5% in real terms in 2012³.

Outlook for 2013

6 While Singapore's economic growth eased to 0.2% on a year-on-year basis in the first quarter of 2013, it is expected to see a gradual improvement for the rest of the year. Global macroeconomic conditions have stabilised since late 2012, although uncertainties remain. Singapore's externally-oriented sectors are expected to improve on the back of a recovery in external demand, whereas growth in construction and some key services sectors should continue to provide support to overall GDP. Barring downside risks, Singapore's GDP is expected to grow by 1% to 3% this year.⁵

7 The Monetary Authority of Singapore (MAS) forecasts that the 2013 CPI-All Items inflation will be between 3% and 4%, and that more than half of this will be accounted for by imputed rentals on OOA and car prices.⁶

NWC Wage Guidelines for 2013/2014

Raising Real Wages for Workers by Improving Productivity

8 Over the long term, average real wage increases have been supported by productivity growth. Over the decade from 2002 to 2012, labour productivity grew by 1.6% per annum, exceeding the growth in real total wages⁴ of 1.2% per annum. In the immediate post-SARS years, labour productivity grew strongly on the back of robust GDP growth. However, in the last 5 years, labour productivity shrank by 0.4% per annum as economic growth was driven primarily by employment.⁷

9 The NWC recommends that **real wage increases should be in line with productivity growth over the long term.** Real wage increases need to be sustainable and not erode the long term competitiveness of our economy.

⁵ MTI, Economic Survey of Singapore, 1Q13.

⁶ MAS Monetary Policy Statement, 12 April 2013.

⁷ Data from the Department of Statistics (DOS) and MOM.

10 The NWC notes that the Quality Growth Programme was introduced in the 2013 Budget to drive the restructuring of our economy towards quality growth driven by productivity and innovation. To help companies through this period of restructuring, the Quality Growth Programme includes a 3-year \$5.3 billion Transition Support Package which comprises: Productivity and Innovation Credit (PIC) bonuses, Corporate Income Tax rebates, and the Wage Credit Scheme (WCS).

11 The NWC applauds NTUC's efforts in championing the Progressive Wage Model (PWM) to improve the job prospects and income of workers in a variety of industries. The NWC is heartened to see strong employer support for the initiative in these industries and exhorts companies to implement the PWM as soon as possible. Companies in other industries should also adopt the progressive wages concept and provide a clear progression path for their workers to upskill and upgrade. PWMs will allow companies to make better use of manpower and pay higher wages, commensurate with larger job scopes and higher productivity levels. The NWC therefore recommends that management work with their unions and workers to develop and implement appropriate progressive wage models for their companies.

12 The NWC notes that in a tight labour market, wages are likely to rise. The Wage Credit Scheme helps companies manage rising labour costs while still allowing employers to retain, develop and train workers. This frees up resources for businesses to invest in productivity. It will also mitigate inflationary pressure arising from businesses passing on higher wage costs. The Wage Credit Scheme also encourages companies to share productivity gains with their employees. These will enable wages to rise in a sustainable manner.

13 Companies should take concerted steps to tap on the Quality Growth Programme. Businesses will have to approach restructuring with greater urgency, as wages continue to face upward pressures. The NWC strongly urges companies and their management teams to lead the drive for productivity and, with the support of the unions, upgrade their operations and invest in their workers.

14 Improved productivity will benefit companies and enable our workers to enjoy real wage increases. **The NWC urges employers to share productivity gains fairly with workers and in a sustainable manner.**

15 Taking into account the challenging business conditions, tight labour market, and economic growth forecast of 1% to 3%, the NWC further recommends that:

- a) **companies give built-in wage increases to workers, taking into account the companies' business performance and prospects; and**
- b) **companies reward employees with variable wage components where appropriate, in line with their performance and workers' contribution.**

Higher Wages for Low-Wage Workers

16 The NWC notes the continued efforts by the Government, union and employer groups to help low-wage workers raise their skills, employability and incomes. In particular, the Government has introduced various financial support measures including the \$200 million Workfare Training Support (WTS) Scheme and the \$100 million Inclusive Growth Programme (IGP). The higher Workfare Income Supplement (WIS) cash and CPF payouts from January 2013, accompanied by the changes in the CPF contribution rates for low-wage workers from 2014, and other Government transfers including the additional GST Voucher Special Payment, on top of the regular GST Vouchers, will also help supplement the disposable income and CPF savings of this group.

17 The NWC notes that the unions, employers and the Government have developed a PWM for the cleaning sector and the Government is supporting its roll-out by procuring only from accredited cleaning companies which have adopted progressive wages. A progressive wage requirement will also be introduced in a licensing framework for all cleaning companies in 2014.

18 The NWC recognises that helping low-wage workers improve their skills, employability and income requires concerted and multi-faceted intervention by the Government and key stakeholders. To complement these efforts, the NWC recommends that companies pay special attention to this group in their annual wage adjustment exercise, given that the income growth of low-wage workers has lagged the rest of the workforce.⁸ To help the low-wage workers, the NWC recommends that:

⁸ MOM, "Labour Force in Singapore, 2012".

- a) **companies grant these workers a built-in wage increase in the form of a dollar quantum and a percentage. This will give the low-wage workers in the company a proportionately higher built-in wage increase; and**
- b) **companies that are doing well also grant these workers an additional one-off lump sum payment to help them better cope with the cost of living.**

Give At Least \$60 in Built-In Wage Increases to Workers Earning Up to \$1,000

19 Last year, the NWC made the recommendation for at least \$50 built-in wage increases for low-wage workers earning a basic monthly salary of up to \$1,000. The NWC notes that as of December 2012, almost 6 in 10 of private establishments gave wage increases to their employees earning a monthly basic salary of up to \$1000. This comprised nearly half (48%) of private establishments that had given (40%) or decided to give (8.1%) a built-in wage increase, and those that provided other forms of wage increases (11%).⁹ Specifically, about three in ten gave at least \$50 built-in wage increases. While this is a positive step forward, the NWC is of the view that we can build further on the momentum generated.

20 To give this group of workers continued focus and attention, the NWC therefore recommends that **companies employing workers earning a basic monthly salary of up to \$1,000 grant these workers a built-in wage increase of at least \$60.**

21 The NWC recognises that some companies, particularly the Small and Medium Enterprises (SMEs), may find it challenging to meet the above mentioned recommendations. The NWC urges these companies to earnestly consider how to make good use of Government assistance schemes such as the Quality Growth Programme to improve their productivity and bottomlines, so that their employees can also benefit from sustainable wage increases.

⁹ Other forms of wage increase comprise one-off special payment, additional bonus and/or additional allowance. MOM, Survey on Annual Wage Changes, 2012.

22 In addition, many low-wage workers work in industries where outsourcing practices are widespread. Employers of such workers are often locked into multiple-year contracts where there may be limited room to make yearly wage adjustments. **The NWC calls on employers and service buyers in these industries to make a special effort to uplift the pay of the low-wage workers and incorporate NWC wage recommendations into outsourced service contracts. Buyers of outsourced services should also factor the annual wage adjustments for the workers into their contracts, or allow for the contract values to be adjusted accordingly.**

Other NWC Recommendation

23 To contain business costs in this period of economic restructuring, the NWC also urges the Government and companies to continue to look at ways to reduce non-wage costs.

Application of NWC's Recommendations

24 The NWC recommendations cover the period from 1 July 2013 to 30 June 2014.

25 These recommendations are applicable to all employees – management, executives, professionals and rank-and-file employees, unionised and non-unionised companies in both public and private sectors. This includes workers who have been re-employed.

26 To facilitate wage negotiation, companies should share relevant information, such as company performance and business prospects, with employees and their representatives.

Table 1: Wage Changes in 2011 and 2012

	2011	2012
Total Wages (including employer CPF contributions)		
- Nominal	6.1 %	4.2 %
- Real	0.9 % (1.9 %)	-0.4 % (0.5 %)
Basic Wages		
- Nominal	4.4 %	4.5 %
- Real	-0.8 % (0.2 %)	-0.1 % (0.9 %)
Annual Variable Component (i.e. bonuses)	2.32 months of basic wages	2.19 months of basic wages

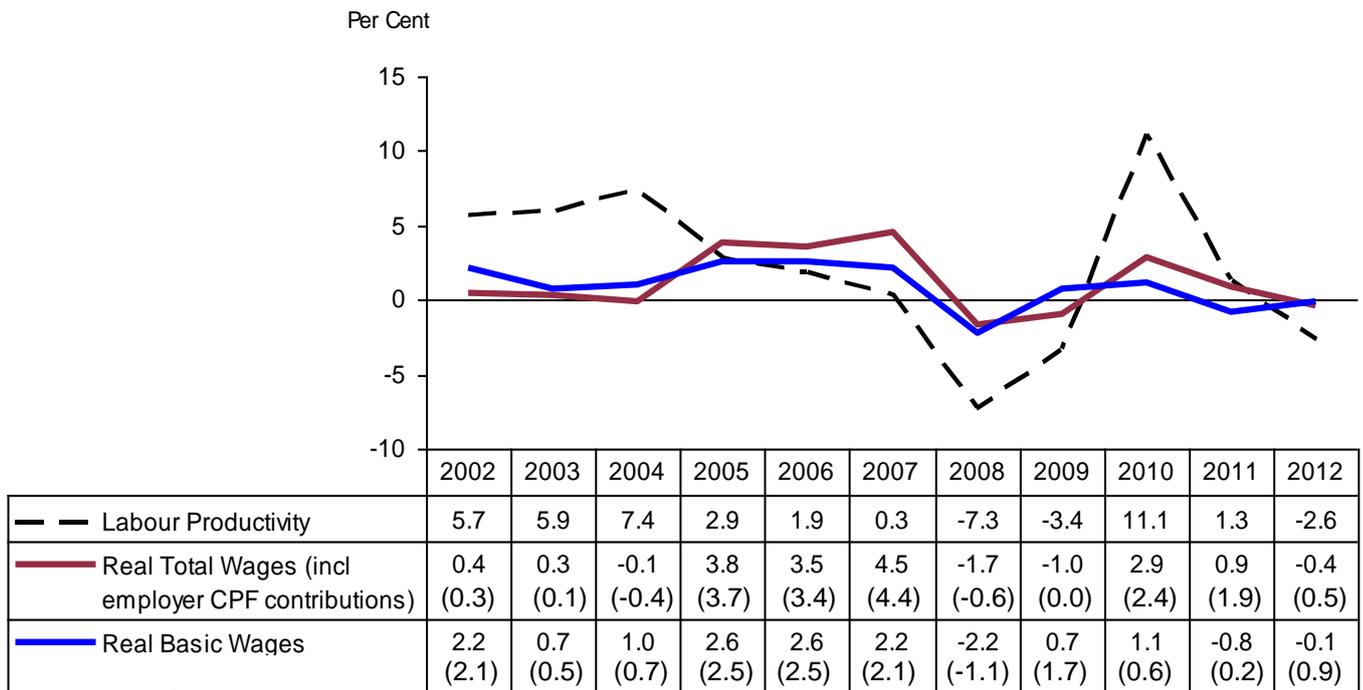
Source: Survey on Annual Wage Changes, MOM

Notes:

(1) Real wage changes are deflated by Consumer Price Index (CPI) for all items at 2009 prices (2009=100). Figures in brackets are deflated by CPI less imputed rentals on owner-occupied accommodation at 2009 prices (2009=100).

(2) Total wages (including employer CPF contributions) comprise basic wages, annual variable component (i.e. bonuses) and estimates of employer CPF contributions. Basic wages and annual variable component (i.e. bonuses) exclude employer CPF contributions.

Figure 1: Annual Change in Productivity and Real Wages, 2002-2012



Source: Survey on Annual Wage Changes, MOM; and data from Department of Statistics (DOS)

Notes:

(1) Real wage changes are deflated by Consumer Price Index (CPI) for all items at 2009 prices (2009=100). Figures in brackets are deflated by CPI less imputed rentals on owner-occupied accommodation at 2009 prices (2009=100).

(2) Total wages (including employer CPF contributions) comprise basic wages, annual variable component (i.e. bonuses) and estimates of employer CPF contributions. Basic wages exclude employer CPF contributions.