

National Wages Council Wage Guidelines For 1994 – 1995

Economic Performance in 1993

1. The Singapore economy grew by 9.9% in 1993, significantly higher than the 6.0% in 1992. The economy was boosted by the buoyant growth in trade, recovery in the US economy and the continued expansion in the regional economies. Growth was broad-based with particularly strong performance in the manufacturing and financial and business services sectors.

Wage Settlements in 1993

2. The labour market remained tight. Average unemployment rate was lower at 1.9%. Total wage increase moderated to 8.1% in 1993 compared to 8.8% in 1992. However, with inflation at 2.4%, workers' total wages in real terms went up by 5.7%. Workers on average received a variable payment of 2.20 months' salary compared to 2.26 months in 1992.

Wage Increase and Productivity Growth

	Per Cent	
	1992	1993
Total Wage Increase	8.1 (8.8)	7.6 (8.1)
Basic Wage Increase	7.7 (8.4)	7.8 (8.3)
Inflation Rate	2.3	2.4
Real Total Wage Increase	5.8 (6.5)	5.2 (5.7)
Productivity Growth	3.3	6.4

() : Figures in parentheses refer to wage increase incorporating changes (if any) in employers' CPF contribution rate.

3. For the first time in 6 years, real wage increase lagged behind our productivity growth rate. Labour productivity in 1993 rose by 6.4%, almost double the 3.3% achieved in 1992. The high growth in productivity was largely attributed to the strong performance of the manufacturing and financial sectors.

Productivity and Cost Competitiveness

4. The surge in productivity growth helped to push down our Unit Labour Cost (ULC). As a result, Singapore's Relative ULC position against the other NIEs, Malaysia and Thailand improved in 1993.
5. Business costs also moderated in 1993. The Unit Business Cost (UBC) index of the manufacturing sector fell by 1.2% in 1993 after an increase of 3.4% in 1992.

The decline was the first since 1987. This was mainly due to the fall in the ULC which accounts for almost 50% of total business costs in the manufacturing sector.

Prospect For 1994

Global Environment

6. The world economy is expected to improve in 1994. Externally, the industrialised countries are forecast to grow by 2.4% in 1994. The US economy is forecast to grow by 3.9% while the Japanese economy is expected to bottom out of its recession. Most European countries are also likely to recover this year. The IMF forecasts that the European Union would grow by 1.3% in 1994.
7. The Asian countries are expected to continue their buoyant growth in 1994. China is likely to grow by 9 to 10% in 1994 while South Korea and Taiwan are projected to grow by more than 6%. The expected growth rates for Hong Kong, Indonesia, Thailand and Malaysia are 5%, 6%, 8% and above 8% respectively.

Outlook for Singapore

8. Singapore's economic growth remains healthy in 1994. Externally, the recovery of the industrial economies and the expected buoyant growth of the South East and North East Asian economies would boost our international trade. Domestic factors also remain favourable. The Composite Leading Index (CLI), an important indicator of the fourth quarter of 1993. The latest surveys of business expectations also showed that both businessmen and industrialists are optimistic about their business prospects in the first six months of 1994.
9. Barring unforeseen circumstances, the Singapore economy is expected to perform well, but growth is expected to moderate from the high base of last year. The electronics industry would see slower growth as the personal computer boom is likely to subside. The high volume of transactions in the stock market in 1993 is also unlikely to be sustained. Based on these trends, our economy is forecast to grow by 6-8% in 1994.
10. Singapore continues to face keen competition from other countries. Besides competing with other NIEs, our Asean neighbours and the emerging economies of China, India and Vietnam, we will increasingly competing with the developed countries for investment and market. To remain competitive, we must continue to offer investors good value for money. Our higher wage costs must be justified by greater efficiency and higher productivity.

Wage Increase Guidelines For 1994

11. To ensure that our wage increases are sustainable in the long run, we must continue to achieve good productivity improvements so that our international competitiveness would not be eroded. In wage negotiations, employers, unions and workers should bear in mind that our longer-term productivity is expected to grow by 3-4% per annum.
12. On wage increase guidelines for 1994, the NWC recommends the following:
 - (1) Built-in wage increase should lag behind productivity growth rates. Total wage increase should reflect the favourable performance of the economy.
 - (2) Variable payment should reflect closely the performance of the company.
 - (3) For companies that have done exceptionally well, their variable bonus need not be rigidly capped at the existing agreed quantum. They should consider paying a one-off special bonus.
 - (4) In wage negotiations, the 1.5% point restoration in employers' CPF contribution, which forms part of workers' wages, should be taken into account.
13. The NWC notes that the flexible wage system is being implemented smoothly. Companies which have not adopted the flexible wage system should do so promptly. Companies which have implemented the flexible wage system should pay according to their agreed formulae. Where adjustments are necessary, they should, as far as possible, be paid in the form of variable payments.
14. To benefit the lower income employees, companies may wish to consider, in the payment of their wage increase, the inclusion of a dollar quantum instead of purely on a percentage basis.

Other Recommendations

(I) Training & Upgrading

15. For Singapore to compete effectively with the best in the world, upgrading the quality of our work force through continual training is of critical importance. To achieve this, companies must invest more resources to train their employees so that they are well equipped with the necessary skills and knowledge to meet the rapidly changing needs of industries.
16. The NWC notes that the Government has decided to raise the salary ceiling of the Skills Development Fund levy on companies from \$750 to \$1,000. This will

provide more resources for training, and companies should take advantage of the fund and step up their training efforts.

17. While the training budget of the larger companies has reached or exceeded the national target of 4% of a company's payroll, the small and medium size enterprises (SMEs) have made little progress in this area. They spend well below 2% of their payroll. SMEs must therefore give greater emphasis on the training of their workers and work towards achieving the national target of 4% of their company's payroll.
18. To better formulate and implement training plans and programmes, companies should consult and discuss with union representatives so that trade unions could be more involved in the training and skills upgrading of workers. Participation of unions in training and skill upgrading of workers will help companies to obtain the necessary feedback and to better understand the needs and aspirations of workers in training.
19. To reflect the joint commitment to training, employers and unions are encouraged to include a training clause in their collective agreements. Such a clause need not be in quantitative terms.
20. To help enlarge our skilled manpower pool, the NWC proposes that the National Productivity Board and the Skills Development Fund consider new initiatives to reach out and train more groups of Singaporeans. They include retrenched workers, economically inactive persons who wish to enter the labour market and other workers who are keen in upgrading their skills.

(II) Goods and Services Tax (GST)

21. The NWC notes that with the implementation of the GST in April this year, the Government has also introduced a package of tax incentives and rebates to cushion the impact of GST. Most Singaporeans will pay less taxes than before. The Council also notes that lower income households, which benefit less from tax cuts, will receive direct rebates to offset the GST they pay. The NWC agrees with the Government that the package of incentives and rebates should be sufficient to offset the cost increases due to the introduction of the GST, and hence the NWC recommends that GST should not be factored into wage negotiations.

(III) Moratorium on Fees and Charges

22. To help ensure that the cost of living increases will be moderate and to contain the rising costs of doing business, the NWC recommends that during the first year of the introduction of the GST, there should be a moratorium on increasing public sector fees and charges except for those increases that are absolutely necessary.

Implementation

23. The NWC recommendations cover the period from 1st July 1994 to 30th June 1995. The recommendations of the NWC, as in past years, are national in scope. They apply to both the public and private sectors and to all companies, big or small, unionised or non-unionised.
24. The NWC urges all companies to apply the NWC's guidelines equitably to all groups of staff including managerial, professional and executive staff.
25. To facilitate wage negotiations, employers should disclose information on company performance and business prospect to employees and their representatives.
26. The NWC looks forward to the Government's acceptance of its recommendations.