

## NATIONAL WAGES COUNCIL (NWC) GUIDELINES 2016/2017

### **Economic Performance and Labour Market in 2015**

1. In 2015, the Singapore economy grew by 2.0%, slower than the 3.3% growth in 2014. Total employment growth moderated to 32,300 in 2015, compared to 130,100 in 2014. The overall unemployment rate (1.9%) and resident unemployment rate (2.8%) remained low and broadly unchanged since 2011. Redundancies grew to 15,580, an increase from 12,930 in 2014, and the highest since 2010.
2. The Consumer Price Index (CPI) fell by 0.5% in 2015, easing from the 1.0% increase in 2014. CPI less imputed rentals on owner-occupied accommodation (OOA), which relates more directly to the actual cash spending of households, edged up by 0.1% in 2015, lower than the 1.2% increase in 2014.
3. Overall labour productivity as measured by real value-added per worker declined by 0.1% in 2015<sup>1</sup>, an improvement from the decline of 0.5% in 2014. When measured by real value-added per actual hour worked<sup>2</sup>, labour productivity grew by 1.0% in 2015, similar to the 1.1% growth in 2014.
4. Total nominal wages in the private sector, including bonuses, grew by 4.0% in 2015, lower than an increase of 4.9% in 2014. This was due to a lower basic wage increase of 4.2% in 2015 (compared to 4.9% in 2014) and lower bonuses of 2.17 months of basic wages in 2015 (compared to 2.21 months in 2014). When employer Central Provident Fund (CPF) contributions are factored in, the growth in total wages remained stable at 4.9% in 2015, due to the increase in employer CPF contributions in 2015.
5. Accounting for the -0.5% CPI inflation in 2015, real basic wages rose at a faster pace of 4.7%, compared to 3.9% in 2014. Real total wages including employer CPF contributions rose by 5.4% in 2015, compared to 3.9% in 2014.

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<sup>1</sup> MTI Economic Survey of Singapore 2015, released on 24 February 2016.

<sup>2</sup> Value-added per actual hour worked is a measure of productivity that takes into account the number of hours that a person in paid or self-employment spends on work activities.

## Outlook for 2016

6. Since the start of 2016, the global growth outlook has weakened further, with growth for the full year expected to be marginally better than in 2015. Alongside the softening of the global economic outlook, downside risks have also increased. In Singapore, sectors such as Finance & Insurance and Wholesale Trade are likely to support growth in 2016, while the outlook for Manufacturing remains weak. Prospects for the Construction sector have also weakened in 2016. Against this macroeconomic backdrop, and barring the full materialisation of downside risks, the Singapore economy is expected to grow by 1.0% to 3.0% in 2016. The Monetary Authority of Singapore (MAS) forecasts<sup>3</sup> the 2016 CPI inflation to be -1.0% to 0.0%.

7. Labour demand is expected to be uneven across sectors in 2016. Redundancies are expected to rise in sectors facing weak external demand such as Manufacturing. While the unemployment rate has remained low, there is some risk of an increase arising from ongoing industry restructuring. On the other hand, domestically-oriented services such as Community, Social & Personal Services and Food & Beverage Services will continue to hire even as they restructure.<sup>4</sup>

## NWC Wage Guidelines for 2016/2017

### *Press on with Restructuring and Productivity Efforts Amidst Economic Uncertainty*

8. Local employment growth is expected to be significantly lower in the medium term compared to the last few years. Growth of the working-age local population is slowing. Further improvement to the labour force participation rate (LFPR) is likely to be muted as Singapore's LFPR is already higher than that of the OECD average and many developed economies. It is crucial for businesses to transform towards higher productivity, so as to remain competitive and **ensure that real wage increases are in line with productivity growth over the long term**. The NWC reiterates the urgency to strive for productivity growth, especially in our domestically-oriented sectors with lower rates of productivity growth.

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<sup>3</sup> MAS Consumer Price Developments in March 2016, released on 25 April 2016.

<sup>4</sup> MOM Statement on Labour Market Developments, released on 15 March 2016.

9. The NWC therefore welcomes Government efforts and calls on employers to press on with economic restructuring, leveraging on the Industry Transformation Programme. Through more targeted and industry-focused interventions, deeper tripartite partnerships, and a focus on technology adoption and innovation, the Industry Transformation Programme will position our economy to emerge stronger in the coming years. This will be supported by Sectoral Manpower Plans which will map out future manpower needs and develop a pipeline of talent to strengthen the Singaporean core, by identifying and providing quality jobs and career pathways in each sector. The NWC calls on the tripartite partners to support the Industry Transformation Programme and develop and maintain a strong Singaporean Core across industries.

10. While we press on with efforts at productivity and business transformation, the NWC emphasises the importance of ensuring employment support for workers affected by economic uncertainty and restructuring. The Government's Adapt and Grow package will bolster help for such workers in a timely way. The NWC encourages employers which are hiring to tap on initiatives such as the Career Support Programme (CSP), Professional Conversion Programmes (PCP), P-Max and Place-and-Train Programmes so as to maximise their manpower supply. The NWC urges workers to play an active role in taking advantage of such schemes and SkillsFuture initiatives to upgrade their skills and adapt to changing job demands. Employers are encouraged to tap on Government funding, including training subsidies and absentee payroll, to provide employees with the necessary time and resources to undertake training and hone new skills.

11. Taking into consideration the challenging business environment, varied labour market conditions, uneven productivity growth and uncertain economic outlook, wage increases will need to be sustainable and fair: built-in wage increases should be given in line with firms' business prospects, while variable payments should reflect firms' performance and workers' contributions. Within this context, the NWC recommends that:

- a) **employers which have done well and have good business prospects should reward their workers with built-in wage increases, and variable payments commensurate with the firms' performance;**
- b) **employers which have done well but face uncertain prospects may exercise moderation in built-in wage increases, but should reward workers with variable payments commensurate with the firms' performance; and**

- c) employers which have not done well and face uncertain prospects may exercise wage restraint, with management leading by example.**

### *Wage Recommendations for Low-Wage Workers*

12. The NWC welcomes the continued efforts by the Government, union and employer groups to help low-wage workers raise their skills, employability and incomes. Employers are encouraged to continue tapping on Government programmes such as the Inclusive Growth Programme (IGP), which shares productivity gains with low-wage workers; and the Workfare Training Support (WTS) Scheme, which funds skills upgrading. The WTS Scheme will be enhanced, with the income ceiling raised from \$1,900 to \$2,000 and training subsidies extended to more workers. The Workfare Income Supplement (WIS) will similarly have its income ceiling raised with higher payouts from January 2017.

13. To complement these efforts, the NWC gave focus to low-wage workers through quantitative wage recommendations in the last four years. Last year, the NWC increased the wage threshold and recommended a built-in wage increase of at least \$60 for low-wage workers earning a basic monthly salary of up to \$1,100. Over the year, the proportion of full-time employed resident employees earning a basic salary of up to \$1,100 is estimated to have decreased from 8.2% in 2014 to 6.9% in 2015.<sup>5</sup> As of December 2015, 46% of private establishments gave or intended to give some form of wage increases to their employees earning a monthly basic salary of up to \$1,100. Specifically, 18% gave increments equal to or more than the NWC's recommended built-in wage increase of \$60, compared to 31% which gave increments equal to or more than the NWC's recommended built-in wage increase of \$60 to employees earning a monthly basic salary of up to \$1,000 in 2014.<sup>6</sup>

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<sup>5</sup> Based on data from the Comprehensive Labour Force Survey and Occupational Wage Survey.

<sup>6</sup> Survey on Annual Wage Changes 2015.

14. Notwithstanding the uncertain economic environment, the NWC believes there is merit to continue according low-wage workers special consideration in their annual wage adjustments, to build on sustained efforts to uplift their incomes. As such, the NWC recommends that:

- a) **employers grant low-wage 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 firm a higher percentage built-in wage increase;**
- b) **employers grant a built-in wage increase of \$50 to \$65 for low-wage workers earning a basic monthly salary of up to \$1,100; and**
- c) **employers grant an equitable and reasonable wage increase and/or one-off lump sum based on skills and productivity for low-wage workers earning above \$1,100.**

15. The NWC will review the continued need for quantitative guidelines for low-wage workers annually, taking into careful consideration factors such as Singapore's economic performance, competitiveness, labour market conditions, productivity performance, and progress on outcomes for low-wage workers.

### ***Low-Wage Workers in Outsourced Work***

16. The NWC recognises that many low-wage workers are employed in outsourced work. As of December 2015, 42% of private establishments performing outsourced work and with low-wage workers earning a basic monthly salary of up to \$1,100, gave increments equal to or more than the NWC's recommended built-in wage increase of at least \$60. The NWC notes that Government is taking the lead to make a special effort to best source and incorporate NWC wage recommendations into outsourced service contracts in these sectors. The NWC urges employers and service buyers of these industries to do the same.

17. Service providers of outsourced services, starting with cleaning, security and landscaping services, should factor in the annual wage adjustments and the Annual Wage Supplement (AWS) for workers into new contracts, and service buyers should recognise and support such efforts, including by allowing contract values to be adjusted as necessary. As part of fair and progressive employment practices, the NWC recommends that service buyers and service providers take

into account the experience and performance of outsourced workers when employment contracts are offered or renewed.

### ***Progressive Wage Model (PWM)***

18. The NWC strongly supports the PWM and welcomes tripartite efforts in championing the PWM to improve the job prospects and income of workers. In particular, the NWC notes the efforts of the tripartite committees formed to advance the Government-enforced PWM in the cleaning, security and landscaping industries, covering areas of skills, productivity, career progression and wages.

19. The NWC further urges employers in other industries to adopt the concept of “progressive wages and skills” and provide a clear pathway for their workers to upskill and upgrade, including through structured training and participating in SkillsFuture initiatives. PWMs, reinforced by skills upgrading and productivity improvement, will allow employers to make better use of manpower and pay higher wages, commensurate with their workers’ job scopes, responsibilities, skill sets and productivity levels.

### **Other NWC Recommendations**

#### ***Employment of Older Workers and Economically Inactive Persons***

20. The NWC endorses the Tripartite Guidelines on Re-Employment of Older Employees released on 18 May 2016 and recommends that the Government and employers augment the labour force by encouraging the economically inactive to return to work. In particular, employers can tap on Government programmes like WorkPro to recruit and retain back-to-work women and older workers through more flexible and age-friendly workplace practices. The NWC notes that to support employers hiring older Singaporean workers and persons with disabilities, there will be an extension of the Special Employment Credit (SEC) for three years from 1 January 2017 to 31 December 2019. From January 2017, SEC wage offsets will be provided to employers hiring Singaporean workers aged 55 and above, earning up to \$4,000 a month.

## ***Responsible Retrenchment***

21. Amid rising redundancies, the NWC endorses the Tripartite Guidelines on Managing Excess Manpower released on 24 May 2016 and strongly urges employers which have to release workers to do so responsibly and fairly. Where retrenchment is inevitable, employers should consult unions if the company is unionised, notify the Ministry of Manpower as early as practicable, and work with outplacement services or agencies such as WDA Career Centres and the Employment and Employability Institute (e2i) to assist affected employees. Retrenched workers are encouraged to take up opportunities for training, and reskill to take up new employment.

## **Application of NWC Guidelines**

22. The NWC Guidelines cover the period from 1 July 2016 to 30 June 2017.

23. 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.

24. These recommendations also apply to workers who have been re-employed.

25. To facilitate wage negotiation, employers should share relevant information, such as company wage information, business performance and prospects, with unions.

26. The NWC encourages employers that encounter difficulties in implementing the guidelines to work with the employers' associations and unions, to address the issues.

**Table 1: Wage Changes in 2014 and 2015**

	<b>2014</b>	<b>2015</b>
<b>Total Wages (including employer CPF contributions)</b>		
- Nominal	4.9 %	4.9%
- Real	3.9 % (3.7 %)	5.4% (4.8%)
<b>Basic Wages</b>		
- Nominal	4.9 %	4.2%
- Real	3.9 % (3.7 %)	4.7% (4.1%)
Annual Variable Component (i.e. bonuses)	2.21 months of basic wages	2.17 months of basic wages

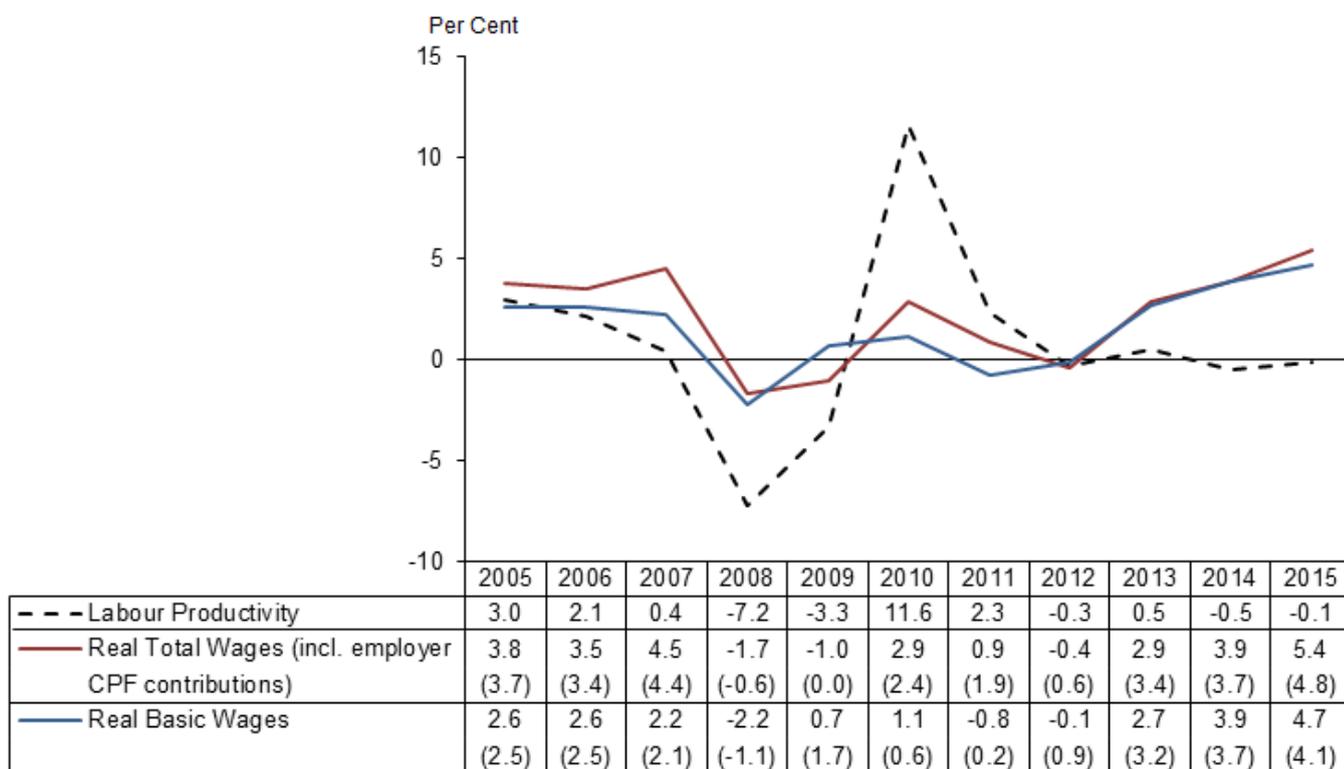
Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:

(1) Real wage changes are deflated by Consumer Price Index (CPI) for all items at 2014 prices (2014=100). Figures in brackets are deflated by CPI less imputed rentals on owner-occupied accommodation at 2014 prices (2014=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, 2005-2015**



Sources: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM  
Department of Statistics, MTI (For Productivity Data)

Notes:

(1) Real wage changes are deflated by Consumer Price Index (CPI) for all items at 2014 prices (2014=100). Figures in brackets are deflated by CPI less imputed rentals on owner-occupied accommodation at 2014 prices (2014=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.