

## NATIONAL WAGES COUNCIL (NWC) 2018/2019 GUIDELINES

### **Economic Performance and Labour Market in 2017**

1. In 2017, the Singapore economy expanded by 3.6%, an increase from the 2.4% growth in 2016. Local employment grew by 21,300 in 2017, nearly double the growth of 11,200 in 2016. The resident unemployment rate rose slightly to 3.1% in 2017 from 3.0% in 2016, while the long-term unemployment rate remained unchanged at 0.8%.<sup>1</sup> Local retrenchments declined to 9,120 in 2017, significantly lower than in 2016 (11,080).
2. The Consumer Price Index (CPI)-All Items rose by 0.6% in 2017, reversing two consecutive years of decline (-0.5% in both 2015 and 2016). Excluding imputed rentals on owner-occupied accommodation (OOA), CPI inflation picked up to 1.7% in 2017 from 0.3% in 2016.
3. Overall labour productivity as measured by real value-added per worker rose by 3.8% in 2017, more than double the growth of 1.4% in 2016.<sup>2</sup> Overall productivity growth in 2017 was mainly supported by gains in outward-oriented sectors such as Manufacturing, Wholesale Trade and Transportation & Storage. On the other hand, productivity declined in some domestically-oriented sectors like Construction and Food Services.
4. Nominal total wages in the private sector, including bonuses and employer Central Provident Fund (CPF) contributions, grew by 3.8% in 2017, higher than the increase of 3.1% in 2016. The total wage growth stemmed from a basic wage increase of 3.6% in 2017 (compared to 3.5% in 2016). On the other hand, bonus payments were 2.14 months of basic wage in 2017 (compared to 2.16 months in 2016).
5. Accounting for the 0.6% CPI-All items inflation in 2017, real basic wages grew at a slower pace of 3.0%, moderating from 4.0% in 2016. Real total wages including employer CPF contributions also rose at a slower pace of 3.2% in 2017, compared to 3.6% in 2016.

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<sup>1</sup> Resident unemployment and long-term unemployment rates were annual average figures.

<sup>2</sup> MTI Economic Survey of Singapore 2017, released on 14 February 2018.

## **Outlook for 2018**

6. Global growth is expected to pick up slightly in 2018, on the back of higher growth in the United States and some emerging markets and developing economies. At the same time, there are heightened concerns over protectionist actions and trade tensions which could have negative effects on international trade and global growth.

7. In Singapore, the economic outlook remains varied across sectors. Outward-oriented sectors such as Electronics, Precision Engineering, Transportation & Storage and Finance & Insurance are expected to continue to support growth in 2018, while domestically-oriented sectors such as Education and Health & Social Services are likely to remain resilient. On the other hand, sectors such as Construction and Marine & Offshore Engineering are likely to continue to face headwinds. Overall, the Singapore economy is expected to grow by 2.5% to 3.5% in 2018, barring the full materialisation of downside risks. The Monetary Authority of Singapore (MAS) has forecast<sup>3</sup> CPI-All Items inflation in 2018 to be in the upper half of the 0.0% to 1.0% range.

8. Labour demand is expected to be uneven across sectors in 2018. Job opportunities will continue to be available in the Manufacturing sector as well as the Services sectors, particularly Infocomms & Media, Finance & Insurance, Healthcare, Professional Services, Logistics and Wholesale Trade. However, hiring will remain cautious in sectors such as Construction and Marine Shipyard.<sup>4</sup>

## **NWC Wage Guidelines for 2018/2019**

### ***Enhance Productivity by Transforming Businesses and Upgrading Skills***

9. The NWC notes the improvements in the economy and labour market, and particularly the strong productivity growth, over the past year. It is critical that this momentum continues, so that **real wage increases can be sustained, in line with productivity over the long term.**

10. With the launch of all 23 Industry Transformation Maps (ITMs), the NWC notes that the task ahead is to operationalise the ITMs –to spur productivity and innovation, to strengthen enterprise capabilities to deploy workers, ideas and capital effectively, to create good jobs with good wages and equip workers with deep skills, and to deepen and diversify international linkages. Supported by strong tripartite partnership, these efforts will enable our businesses and workers to seize opportunities in the future economy, and benefit from quality growth. It

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<sup>3</sup> MAS Monetary Policy Statement in April 2018, released on 13 April 2018.

<sup>4</sup> MOM Press Release on Labour Market Advance Release 1Q 2018, released on 27 April 2018.

is critical that employers take the lead to **Transform & Grow**, taking advantage of the **Lean Enterprise Development Scheme** to improve productivity, stay competitive and create better quality jobs for Singaporeans.

11. As economic restructuring continues and jobs demands evolve, the NWC recognises the need for all workers to be agile and stay relevant. The NWC urges employers to work closely with sector agencies and unions to adopt Skills Frameworks as well as to set up training committees to drive skills training and career pathways, and also support individual-initiated training. The NWC notes that the wide range of Government support under **SkillsFuture** and **Adapt & Grow** will help workers to upgrade and refresh their skills to remain employable and secure better employment outcomes. The tripartite partners are also doing their part. The Labour Movement has reached out and communicated ITMs to workers, and collaborated with partners to curate training, including bite size learning content on platforms such as NTUC's Learning Enabled through Active Participation (U Leap). SNEF's Agency for Productivity Practices, Human Resource and Industrial Relations (SAPPHIRE) has also helped employers to transform their workplaces through digitalization, progressive employment and human capital development.

12. The NWC also notes that there has been an encouraging increase in employers' participation in A&G in 2017, with significantly higher placements particularly in the Professional Conversion Programmes (PCP) including Attach-and-Train, and Career Support Programme (CSP). The Place-and-Train Programme and Career Trial have been enhanced to provide greater support for jobseekers, especially for those unemployed for six months and more. The NWC urges more employers to use such programmes to reskill their employees, equip at-risk employees to take on new roles, and to be open to mid-career jobseekers.

### ***Wage Recommendations for All Workers***

13. Taking into consideration the different business conditions, productivity growth and economic outlook across firms and sectors, the NWC reaffirms the principle that 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. Hence, 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, and should make greater efforts to improve business processes and productivity.**

14. In addition, the NWC encourages **companies that achieved productivity improvements in 2017 to share the gains with workers through a one-off special payment.**

15. The NWC notes that the Government's extension of Wage Credit Scheme to 2020 will help employers to manage near-term manpower costs while enabling them to retain, upskill and share productivity gains with their employees.

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

16. The NWC notes that ongoing tripartite efforts to raise the skills and incomes of low-wage workers, along with previous NWC quantitative guidelines, have contributed to better wage outcomes for low-wage workers. Last year, the NWC raised the basic wage threshold of quantitative guidelines to \$1,200 and recommended a built-in wage increase ranging between \$45 and \$60. The higher wage threshold covered more low-wage workers, and led to improvements in their wage outcomes. The proportion of full-time resident employees earning a basic monthly wage of up to \$1,200 is estimated to have decreased from 8.1% in 2016 to 7.7% in 2017.<sup>5</sup> At the same time, the proportion of full-time resident employees earning a basic monthly wage of up to \$1,100 and \$1,000 fell to 5.3% and 4.2% respectively. Building on the progress made, the NWC believes it is useful to continue to provide quantitative guidelines for low-wage workers, and to **further raise the basic wage threshold from \$1,200 to \$1,300.**

17. With the pick-up in economic conditions and greater flexibility provided by the range, the adoption rate of the quantitative guidelines<sup>6</sup> has increased from 21% in 2016 to 48% in 2017, the highest since 2013. As economic prospects and business outlook continue to vary across firms and sectors, the NWC sees merit in continuing to set a range for the recommended wage increases.

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<sup>5</sup> Source: Comprehensive Labour Force Survey and Occupational Wage Survey.

<sup>6</sup> The proportion of establishments which gave increments equal to or more than the NWC's recommended built-in wage increase of \$45 to \$60 in 2017 (or \$50 to \$65 in 2016) to employees earning a basic monthly wage of up to \$1,200 in 2017 (or \$1,100 in 2016).

18. 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, to give the low-wage workers a higher percentage built-in wage increase;**
- b) **employers grant a built-in wage increase of \$50 to \$70 for low-wage workers earning a basic monthly wage of up to \$1,300; and**
- c) **employers grant a reasonable wage increase and/or one-off lump sum based on skills and productivity for low-wage workers earning above \$1,300.**

19. In addition, the NWC encourages companies that achieved productivity improvements in 2017 to provide an **additional one-off special payment of \$300 to \$600, in a lump sum or over several payments, to low-wage workers earning a basic monthly wage of up to \$1,300.**

20. The NWC will review the 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***

21. The NWC recognises that some low-wage workers are employed in outsourced work. The adoption rate of quantitative guidelines for private establishments performing outsourced work fell from 49% in 2016 to 44% in 2017. For employers who did not provide wage increases, top reasons were that they were constrained by contractual agreements or were already paying the market rate. The NWC notes that the Government fully supports best sourcing and has encouraged its service providers to adopt NWC wage recommendations and to factor in such wage increases into their bid prices, particularly for the cleaning, security and landscaping sectors. However, government procurement amounts to only a fraction of total spending on outsourced services. Hence, the NWC urges employers and service buyers of these sectors to do the same.

22. 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. Service providers should also make concerted efforts to engage their service buyers to explain the need to improve outsourced workers' wages and benefits when employment contracts are offered or renewed. Service buyers should recognise

and support such efforts, including by allowing contract values to be adjusted as necessary.

23. 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. This helps avoid the reset of wages and benefits for outsourced workers who perform the same job functions when service providers are changed. The NWC urges service buyers and service providers to work together to ensure adequate training for and improving the employment terms of outsourced employees.

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

24. The NWC supports the tripartite efforts in advancing the Government-enforced PWM in the cleaning, security and landscaping sectors, covering areas of skills, productivity, career progression and wages. In particular, the NWC welcomes the recommendations of the tripartite PWM committees for the cleaning and security sectors to introduce yearly wage adjustments to each wage point in the PWM<sup>7</sup> and scheduled wage increases<sup>8</sup>. The NWC notes and supports the intent of the Tripartite Cluster for Landscape Industry to make separate recommendations on wage adjustments to their PWM wage scales, to ensure employees continue to have sustainable and progressive wage increases along with industry transformation. The PWM ladders in these three sectors have led to improvements in the wage outcomes and career progression of workers, benefitting mainly lower-wage workers.

25. The NWC notes that in addition, employers in sectors such as Public Bus Transport and Healthcare have adopted the concept of “progressive wages and skills” and provided a clear pathway for their workers to upskill and upgrade, including through structured training and participating in SkillsFuture initiatives. The NWC notes and supports the intent of the Lift and Escalator sector to do the same, and urges employers in other sectors to follow suit. 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.

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<sup>7</sup> From 2017 to 2019 for Cleaning PWM, and from 2019 to 2021 for Security PWM.

<sup>8</sup> From 2020 to 2022 for Cleaning PWM, and from 2022 to 2024 for Security PWM.

## **Other NWC Recommendations**

### ***Employment of Older Workers and Back-To-Work Women***

26. The NWC welcomes the move by the Government for a tripartite committee to review the re-employment age and older workers' CPF contribution rates. The NWC also supports the Tripartite Standard on Age-Friendly Workplace Practices released on 27 April 2018 and recommends that the Government and employers design age-friendly jobs and workplaces, train older employees to perform their jobs more effectively, and not use age as a selection criterion when hiring. In particular, employers can tap on Government programmes like WorkPro to redesign jobs to be easier, safer, and smarter, and implement other age-friendly workplace practices, so as to enhance the contributions of older employees. To support employers hiring older Singaporean workers, the NWC notes that the Special Employment Credit (SEC) was extended until 2019. Wage offsets of up to 11% will be provided to employers hiring older Singaporeans aged 55 and above, earning up to \$4,000 a month.

27. The NWC also encourages employers to implement flexible work arrangements and family-friendly workplace practices to recruit and retain back-to-work women as a valued source of manpower and talent.

### **Application of NWC Guidelines**

28. The NWC Guidelines cover the period from 1 July 2018 to 30 June 2019.

29. 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.

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

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

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

## APPENDIX

**Table 1: Wage Changes in 2016 and 2017**

|   | <b>2016</b>                   | <b>2017</b>                   |
|---|-------------------------------|-------------------------------|
| <b>Total Wages (including employer CPF contributions)</b> |                               |                               |
| - Nominal   | 3.1%                          | 3.8%                          |
| - Real  | 3.6%<br>(2.8%)                | 3.2%<br>(2.1%)                |
| <b>Basic Wages</b>  |                               |                               |
| - Nominal   | 3.5%                          | 3.6%                          |
| - Real  | 4.0%<br>(3.2%)                | 3.0%<br>(1.9%)                |
| Annual Variable Component<br>(i.e. bonuses)               | 2.16 months of<br>basic wages | 2.14 months of<br>basic wages |

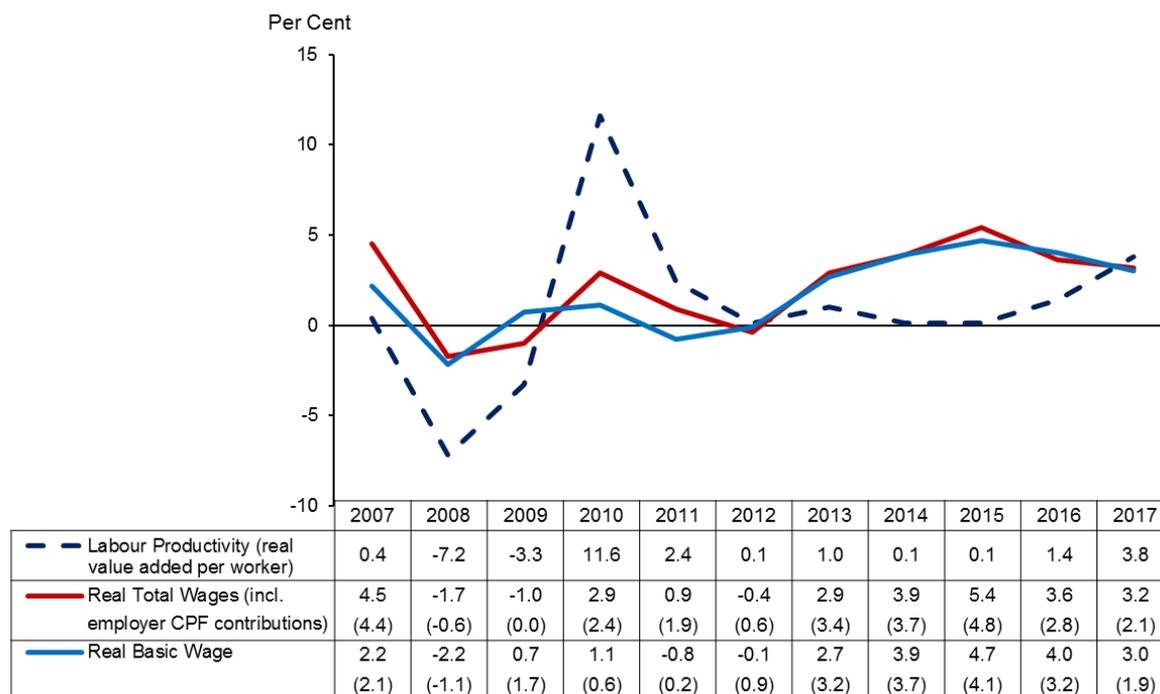
Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

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, 2007-2017**



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.