

**National Wages Council (NWC)
Wage Guidelines
1 JULY 2009 – 30 JUNE 2010**

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Agenda

- Overview of the National Wages Council (NWC)
- National Wages Council (NWC) Wage Guidelines 2009/2010
 - Considerations
 - Recommendations

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Overview of the National Wages Council (NWC)

- Tripartite advisory body formed in Feb 1972 to provide for orderly wage adjustments in line with Singapore's long-term economic and social development
- NWC reviews wages and wage trends yearly in relation to the economy's performance and prospect
- Recommendations are arrived at by consensus



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NWC – Composition 2009/2010

Chairman: Prof Lim Pin, Professor of Medicine, NUS



Employee Representatives

- National Trades Union Congress
- Amalgamated Union of Public Employees
- United Workers of Electronic & Electrical Industries
- Singapore Insurance Employees Union
- Union of Security Employees
- Metal Industries Workers Union
- Singapore Industrial & Services Employees' Union
- Housing & Development Board Staff Union
- Healthcare Services Employees Union
- Food, Drinks & Allied Workers Union

Employer Representatives

- Singapore National Employers Federation
- Singapore Business Federation

- American Chamber of Commerce in Singapore
- Japanese Chamber of Commerce & Industry, Singapore
- Singaporean-German Chamber of Industry & Commerce
- Singapore Chinese Chamber of Commerce & Industry
- Singapore Indian Chamber of Commerce & Industry
- Singapore Malay Chamber of Commerce & Industry

Government Representatives

- Ministry of Manpower
- Public Service Division
- Ministry of Trade & Industry
- Economic Development Board
- Singapore Workforce Development Agency

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NWC Guidelines Issued in May 08 (For 1 Jul 08 – 30 Jun 09)

- The NWC guidelines issued in May 08 (for 1 Jul 08 – 30 Jun 09) had asked companies to grant built-in wage increase commensurate with performance and prospects.
- May 08 guidelines were made while GDP growth was forecast to be 4.0% to 6.0% for 2008.
- Towards Q308, economic conditions deteriorated.

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Revised NWC issued in Jan 09 (for 16 Jan 2009 – 30 Jun 2009)

- Due to deteriorating economic situation from late 2008, NWC reconvened in Jan 09 to review its May Guidelines.
- A revised set of wage guidelines was issued in Jan 09
- One key recommendation was that **companies adversely affected by the economic downturn could, in consultation with their unions/workers, implement a wage freeze or wage cut** in order to stay competitive and save jobs

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NWC Guidelines 2009/2010 issued in May 09 (for 1 Jul 2009 – 30 Jun 2010)

- The NWC convened in May 09 to deliberate on a new set of wage guidelines applicable for the period 1 Jul 2009 – 30 Jun 2010.
- NWC takes into consideration factors such as state of the economy and outlook, labour market conditions as well as measures taken to address the current downturn.

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NWC Guidelines 2009/2010

Considerations: Economic, Labour Market, Productivity, Wages and Inflation Trends in 2008

- Deterioration in global economic environment.
- Singapore's economic growth slowed to 1.1% in 2008 compared to 7.8% in 2007.
- Labour productivity declined from -0.8% in 2007 to -7.8% in 2008.
- Employment growth of 221,600 in 2008 was lower than the growth of 234,900 in 2007.
- Unemployment rate rose to 2.5% (overall) and 3.6% (resident) in Dec08, up from 2.3% and 3.4% respectively in Sep08.
- Redundancies in Q408 was 9,410, making up more than half of the 16,880 redundancies in the whole of 2008.
- Consumer Price Index (CPI) inflation rose by 6.5% in 2008 compared to 2.1% in 2007.

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Wage Changes in 2007 and 2008

In 2008, nominal wage growth slowed but real wage change contracted.

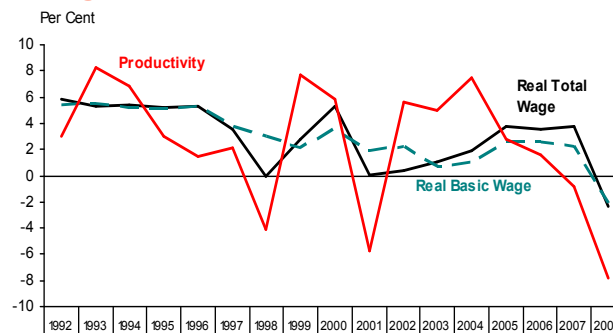
	2007	2008
Total Wage Change		
- Nominal	5.9%	4.2%
- Real	3.8%	-2.3%
Basic Wage Change		
- Nominal	4.3%	4.4%
- Real	2.2%	-2.1%
Variable Component Payment (Bonus)	2.36 months (+8.3%)	2.31 months (-2.1%)

Source: MOM Survey on Annual Wage Changes, 2008
Note: Real wage changes adjusted by CPI: 2.1% (2007), 6.5% (2008).

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Annual Changes in Productivity and Wages (1992-2008)



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real Total Wage Change	5.8	5.3	5.4	5.2	5.3	3.5	-0.1	2.8	5.3	0.1	0.4	10	19	3.8	3.5	3.8	-2.3
Real Basic Wage Change	5.4	5.5	5.2	5.1	5.3	3.8	3.0	2.1	3.6	19	2.2	0.7	10	2.6	2.6	2.2	-2.1
Productivity Growth	3.0	8.2	6.8	3.0	1.5	2.1	-4.1	7.7	5.8	-5.7	5.6	5.0	7.5	2.8	1.6	-0.8	-7.8

To be sustainable, wage increases should lag productivity growth.
However, productivity contracted in the last 2 years and lagged real wage growth.

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Annualised Growth of Labour Productivity and Real Wages

While, wage increases have outpaced productivity growth in the last few years, in the longer term wage increase lagged productivity growth.

	Annualised Change (%)		
	2001-2008 (7 years)	2003-2008 (5 years)	2005-2008 (3 years)
Labour Productivity Growth	1.9%	0.5%	-2.4%
Real Total Wage Growth (outpace/lag productivity growth)	1.7% (lag)	2.1% (outpace)	1.6% (outpace)
Real Basic Wage Growth (outpaced/lag productivity growth)	1.3% (lag)	1.2% (outpace)	0.9% (outpace)

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NWC Guidelines 2009/2010

Considerations: Outlook for 2009

Weak economic outlook

- GDP growth forecast adjusted to between -9.0% and -6.0%

Labour market to soften further

- Retrenchments and unemployment expected to be significantly higher than in 2008
- Redundancies increased from 9,410 (Q408) to 12,760 (Q109)
- Unemployment rate rose to 3.2% (overall) and 4.8% (resident) in March 09

Inflation

- Inflation expected to come in significantly lower at between -1% and 0%

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NWC Guidelines 2009/2010

Recommendation:

Employers, unions and the government to press on with concerted actions recommended in NWC's January 2009 guidelines to cut costs, save jobs and enhance competitiveness, through management leading by example in the following areas:

- **Wage freeze or cut;**
- **Implementation of other cost cutting measures and initiatives to cope with the downturn;**
- **Enhancement of wage flexibility; and**
- **Improvement in productivity**

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NWC Guidelines 2009/2010

- Persist with "Cut Costs to Save Jobs"

Freeze/cut wages according to performance, prospects

- For companies whose business profitability and/or prospects are affected by the economic downturn, they could, in consultation with unions/workers, implement a **wage freeze/cut** in line with their performance and prospects, in order to stay competitive and save jobs.

Moderate wage increase (variable payment) for companies which perform well

- Companies which perform well should reward workers with **moderate wage increases, preferably in the form of variable payment**, so that their long-term cost competitiveness would not be affected.

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- Implement other Cost Cutting Measures

Follow recommendations in MEM Guidelines

- **NWC endorses the updated Tripartite Guidelines for Managing Excess Manpower** (MEM Guidelines), which recommends the following:
 - Make use of the Jobs Credit Scheme to reduce wage cost.
 - Make use of SPUR to send your workers for training
 - Redeploy workers to alternative areas of work within your organisation.
 - Implement shorter work week, temporary layoff, flexible work schedule or other flexible work arrangements.
 - If you have a flexible wage system in place, use it to adjust your wage cost.

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NWC Guidelines 2009/2010

- Implement other Cost Cutting Measures

- **Strongly urges companies with excess manpower to implement the various recommended measures** such as shorter work-week, temporary lay-offs, no pay leave, and other work arrangements as alternatives to retrenchments.
- Workers should work together with employers to implement these measures to cut cost and save jobs.

Management to lead by example

- In implementing such measures including wage freeze/cut, **management is to lead by example.**

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NWC Guidelines 2009/2010

- Press on with Downturn Initiatives to Enhance Resilience

Tap on available tripartite measures/initiatives

- Employers and unions/workers to **continue to tap on the various tripartite measures and initiatives available** to manage the impact of the downturn, reduce costs and minimise job losses.

Upgrade, re-train, upskill

- Government to continue to expand the Continuing Education & Training (CET) infrastructure.
- Workers are encouraged to be flexible and be prepared to upgrade current skills and learn new skills.
- Employers are encouraged to tap on the CET system and the various assistance measures such as SPUR to upskill their manpower and build new capabilities.

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NWC Guidelines 2009/2010

- Press on with Downturn Initiatives to Enhance Resilience

Job seekers and Employers to adjust expectations and be open

- Those who are seeking employment are advised to adjust their expectations and make career switches, if necessary, to take up available jobs. Employers too, should be open to taking in workers with little or no relevant experience, and set appropriate employment terms reflecting the market realities of their sectors.

Reduce non-wage costs to lower overall business cost

- NWC also urges the government and companies to continue to look at ways to reduce non-wage costs so as to lower the overall business costs and enhance Singapore's competitiveness.

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- Enhance Wage Flexibility

Use MVC to manage wage cost

- Companies are encouraged to **make use of components of the flexible wage system**, including the Monthly Variable Component (MVC) **to manage total wage cost**.
- NWC endorses the recommendation in the MEM guidelines that companies could **implement a cut in basic wages by introducing it as a reduction in MVC**.

Enable companies to take the opportunity to introduce MVC and make wages more flexible. Companies should work with unions/workers to set guidelines on restoring MVC from future wage increases or adjustments when businesses recover.

NWC Guidelines 2009/2010

- Improve Productivity

Look at ways to improve productivity

- **NWC strongly urges companies to ride on this downturn to enhance their productivity**, through innovation, best sourcing, service excellence and developing the workforce to be highly skilled, productive and flexible. Companies can improve the skills of their workforce by tapping on SPUR.

NWC Guidelines 2009/2010

- Continue with Longer Term Initiatives

Older, low wage, contract and informal workers, women returning back to workforce

- NWC recommends that tripartite partners continue to push ahead with initiatives such as enhancing the employability and employment of older workers, bringing more women back to the workforce, and enhancing efforts to help low wage, contract and informal workers.

We should not lose sight of these important longer term initiatives that would help to maximise the potential of our workforce, as well as improve employability and income of workers.

NWC Guidelines 2009/2010

- Prepare for Upturn

Upgrade skills and capabilities to be in stronger position for recovery

- NWC urges companies to **maximize the use of the current slack manpower conditions to improve the skills of their workforce.**
- Critical to raising their competitiveness when the global economy recovers.
- Companies and workers must not delay in participating in SPUR to upgrade skills and capabilities so that they would be in a stronger position for the recovery.

Application of NWC Recommendations

- Guidelines issued on 3 June 2009
- Applicable from 1 July 2009 to 30 June 2010
- Covers all employees:
 - ❖ Management/executives & rank-and-file workers
 - ❖ Unionised & non-unionised companies
 - ❖ Public & private sectors

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Conclusion

- NWC emphasized the need for strong tripartism to overcome adversity.
- Singapore's pragmatic and pro-active response to the recession, supported by strong tripartism spirit, has brought about significant and positive impact on companies and workers.
- This high level of co-operation, trust and understanding among the government, employers and unions will give confidence to businesses and investors, and better differentiate Singapore from other economies.
- Enable Singapore to emerge stronger, more robust and more resilient.

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Thank You