

**NATIONAL WAGES COUNCIL
SINGAPORE**

NATIONAL WAGES COUNCIL (NWC) GUIDELINES 2012/2013

1 The National Wages Council (NWC) has completed its deliberations on wage and wage-related guidelines for 2012/2013.

Economic Performance and Labour Market in 2011

2 Singapore's economy grew 4.9% in 2011, following the expansion of 14.8% in 2010¹. Total employment increased by 122,600, after growing by 115,900 in 2010. Amid the strong employment creation, the unemployment rate fell to its lowest in 14 years, at 2.0% overall and 2.9% for residents in 2011, down from 2.2% overall and 3.1% for residents in 2010.²

3 On the back of the continued Gross Domestic Product (GDP) growth, the Consumer Price Index (CPI) rose 5.2% in 2011, higher than 2.8% in 2010. The key contributors included imputed rentals on owner-occupied homes and Certificate of Entitlement (COE) premiums on cars. However, as most Singaporeans already own their own homes, the imputed rentals component of the CPI did not reflect actual cash expenditures. Excluding imputed rentals, inflation would be lower at 4.2% in 2011.

4 Labour productivity rose by 1.0% in 2011, significantly lower than the 11% increase recorded in 2010³. The moderation in productivity gains resulted from the slower GDP growth amid continuing strong employment creation⁴.

5 Basic wages of employees in the private sector grew by 4.4% in 2011, higher than the increase of 3.9% in 2010. Taking into account bonuses (annual variable component) as well as employer Central Provident Fund (CPF) contributions, total wages in the private sector increased by 6.1%, higher than the gain of 5.7% in 2010.

6 Accounting for headline CPI inflation which includes imputed rentals on owner-occupied homes, real basic wages declined by 0.8% while real total wages⁵ rose by 0.9%. When adjusted using CPI excluding imputed rentals, total wages⁶ rose by 1.9%, and basic wages by 0.2% in real terms in 2011.

¹ Ministry of Trade and Industry (MTI), Economic Survey of Singapore, 2011.

² Ministry of Manpower (MOM), Labour Market, 2011.

³ MTI, Economic Survey of Singapore, 2011.

⁴ MOM, Labour Market, 2011.

⁵ Total wages include bonuses as well as estimates of employer CPF contributions.

⁶ Total wages include bonuses as well as estimates of employer CPF contributions.

Outlook for 2012

7 The Singapore economy gained some momentum in the first quarter of this year, alongside improvements in global macroeconomic conditions. Overall GDP expanded by 10% on a quarter-on-quarter seasonally adjusted annualised basis in 1Q2012, reversing the 2.5% contraction in the previous quarter. Compared to a year ago, the economy continued to grow by 1.6%⁷. Nevertheless, the recovery in the global economy remains fragile and vulnerable to downside risks. Notably, the advanced economies are still sluggish and there has been increased uncertainty surrounding the Eurozone's political climate and fiscal outlook. Against these developments, the Singapore economy is forecast to experience modest growth of 1% to 3% in 2012⁸.

8 The Monetary Authority of Singapore (MAS) forecasts that the 2012 headline CPI inflation will be between 3.5% and 4.5%, driven by higher oil prices, costs of accommodation, COE premiums, as well as business costs⁹.

NWC Wage Guidelines for 2012/13

Raising Real Wages over the Long Term

9 Over the long term, real wage increases have been broadly in line with productivity growth. From 2000 to 2011, real total wages including employer CPF contributions grew at an annualised rate of 1.6% per annum, slightly lower than that of labour productivity at 1.7% per annum.

10 As productivity improvement is the driver of sustainable real wage increases for our workers, companies and their management teams are strongly urged to lead the drive for productivity, with the support of the unions and workers. **To enable our workers to benefit from their share of productivity improvements and at the same time allow our businesses to remain competitive, real wages should increase in line with productivity growth over the long term.**

11 The NWC also notes the uncertain business outlook and economic growth forecast of 1% to 3% for 2012, and the continuation of inflationary and cost pressures which will affect both businesses and workers.

12 Taking these factors into consideration, the **NWC recommends that:**

⁷ MTI, Economic Survey of Singapore, 1Q12.

⁸ MTI, Economic Survey of Singapore, 1Q12.

⁹ MAS, Monetary Policy Statement, 13 April 2012.

a) companies **grant built-in wage increases for 2012/13, taking into account the prevailing labour market conditions, as well as their respective business performance and prospects.**

b) companies **reward employees through variable wage components** where appropriate, in line with the companies' performance and workers' contribution.

Higher Built-In Wage Increases for the Low-Wage Workers

13 The NWC notes that while workers in general have seen an increase in real incomes over the last 10 years, the income growth of low-wage workers have lagged the rest of the workforce. The NWC is concerned that employees in this group have not kept up with the overall pace of economic upgrading, productivity gains and wage increases. The NWC also notes the ongoing efforts by the Government, union and employer groups to help low-wage workers raise their employability and incomes through various measures including the Workfare Training Support (WTS) Scheme and the Inclusive Growth Programme (IGP). Government transfers such as the Workfare Income Supplement (WIS) have also helped to supplement the disposable income and CPF savings of this group. The NWC is supportive of these efforts and recommends further impetus to help this group.

14 **To help the low-wage workers, the NWC recommends that companies grant these workers a built-in wage increase in the form of a dollar quantum and a percentage wage increase. This will give the low-wage workers in the company a proportionately higher built-in wage increase. Companies that are doing well may also consider granting these workers an additional one-off lump sum payment, to help them better cope with the cost of living.**

At Least \$50 Built-In Wage Increases for Those Earning up to \$1,000

15 **For workers earning a basic monthly salary of up to \$1,000, the NWC recommends that the built-in wage increase be at least \$50. However, for companies that are doing well, the NWC recommends that they give these workers a larger increase.**

Raising Productivity

16 In order to improve productivity, the NWC strongly encourages companies to adopt technology and innovation in their work processes.

Management should spearhead the productivity drive within the company and build a culture supportive of innovation at the workplace.

17 Unions and workers should also do their part by supporting new ways of working through harnessing technology and innovation, and by contributing ideas for improvement at their workplace. The NWC encourages companies to tap on various Government assistance schemes, such as the Productivity and Innovation Credit (PIC) and the National Productivity Fund.

18 To complement productivity innovations, the NWC urges both companies and employees to invest in continuous training and skills upgrading. This will ensure that our workforce remains right-skilled and relevant to the changing needs of the industry. It will also keep our workers resilient at all times, particularly during economic difficulties. Companies can tap on the various Continuing Education and Training (CET) initiatives, including the Singapore Workforce Skills Qualifications (WSQ) training programmes as well as the Skills Training for Excellence Programme (STEP) targeted at professionals, managers and executives.

19 As raising productivity requires labour-management cooperation, teamwork and sustained efforts, the NWC strongly encourages companies to share the gains from productivity improvements with workers.

20 Apart from encouraging companies to step up efforts to raise productivity, the NWC also urges the Government and companies to continue to look at ways to reduce non-wage costs so as to lower overall business costs and enhance Singapore's competitiveness.

Inclusive Growth for Workers

21 The NWC believes that Singapore's economic growth should benefit all Singaporeans and strongly supports the Government's objective of inclusive growth for all workers. Efforts to uplift the lower wage groups should therefore go beyond providing wage assistance, and more importantly be channelled through measures to improve their earning ability in general. In order to achieve this, all stakeholders have a part to play.

22 The NWC notes that the tripartite partners have released an updated Tripartite Advisory on Best Sourcing Practices in January 2012 to encourage service buyers to outsource responsibly and adopt best practices when doing so. The NWC supports this as outsourcing based not just on price but also quality is one important way to ensure that low-wage workers can also enjoy the benefits of best sourcing.

23 The NWC encourages companies and workers to tap on the WTS Scheme to help low-wage workers upgrade their skills, so that they can move up into better jobs with higher pay and better career prospects. The NWC also

notes positively the total \$100 million in funding that the Government will provide for the IGP, which is led by the National Trades Unions Congress (NTUC), to engage companies and help them innovate and share productivity gains with the low-wage earners.

24 The NWC is also concerned about the group of low-wage contract and casual workers who do not receive proper CPF contributions. The NWC notes that the Ministry of Manpower (MOM) will be stepping up the enforcement against errant employers in this area. The NWC further urges the tripartite partners to reach out to these workers and their employers to educate them about their rights and obligations under the CPF Act. This will allow low-wage workers to receive CPF contributions and be eligible for Government assistance paid through the CPF, such as WIS.

Enhancing Employability and the Re-employment of Older Workers

25 The NWC notes that the Retirement and Re-employment Act has come into effect in January 2012, and that employers are required to re-employ eligible employees from age 62 to 65. The NWC is pleased to note that this would increase the employment opportunities for older workers and allow them the choice to continue working after retirement. At the same time, employers can have access to a pool of experienced workers from which to tap on for their expertise and experience. The NWC commends the tripartite partners for the efforts made over the last 5 years in preparing for the re-employment legislation. It also urges companies to implement the re-employment legislation in the right spirit to ensure that older workers are remunerated fairly and can continue to contribute to their organisations.

26 The NWC notes that the Government has extended the Special Employment Credit (SEC) to 2016 to encourage employers to hire older Singaporeans, and enhanced it to cover workers aged above 50 earning up to \$4,000. This assistance will provide continuing support to employers to employ older workers. The SEC amount granted will more than cover the increase in employer CPF contribution rates¹⁰ for the three-quarters of older workers when higher CPF contribution rates for older workers take effect in September 2012.

¹⁰ As announced in the 2012 Budget Statement, employer CPF contribution rates for workers aged above 50 to 65 will be revised upwards from September 2012. Specifically, employer CPF contribution rates will increase by 2 percentage points for employees aged above 50 to 55, 1.5 percentage points for employees aged above 55 to 60, and 0.5 percentage points for employees aged above 60 to 65. The employee CPF contribution rates will also be increased by 0.5 percentage points for employees aged above 50 to 60.

Application of NWC's Recommendations

27 The NWC recommendations cover the period from 1 July 2012 to 30 June 2013.

28 These recommendations are applicable to all employees – management, executives and rank-and-file employees, unionised and non-unionised companies in both public and private sectors.

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

Conclusion

30 The NWC looks forward to the Government's acceptance of its recommendations.

Yours Sincerely



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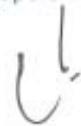
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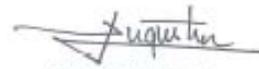
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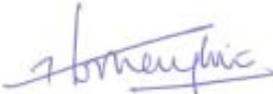
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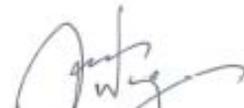
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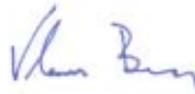
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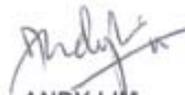
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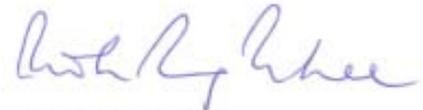
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Table 1: Wage Changes in 2010 and 2011

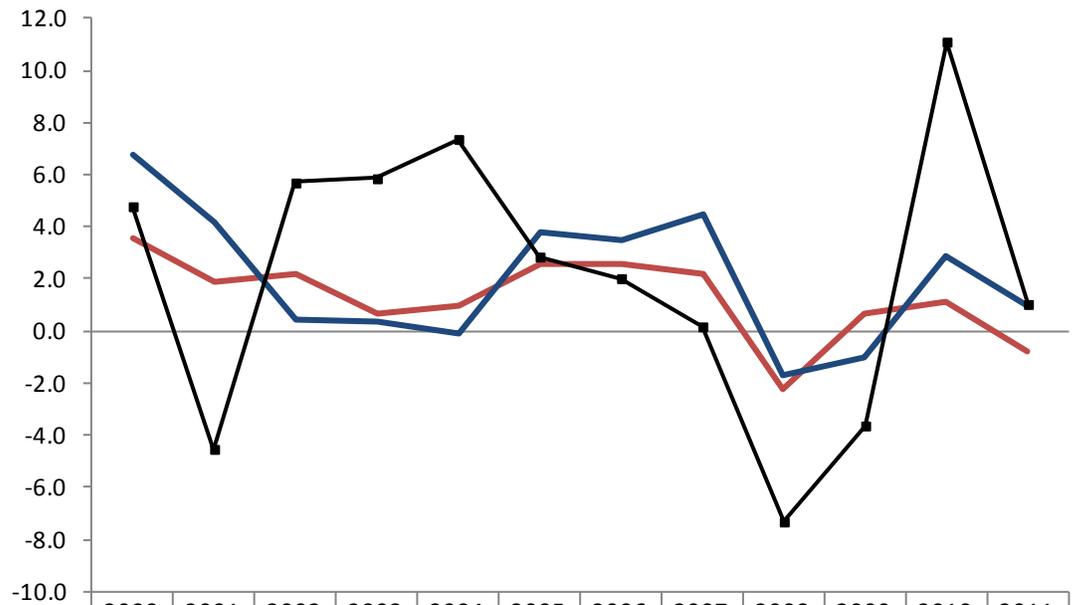
	2010	2011
Total Wages (including employer CPF contributions)		
- Nominal	5.7%	6.1 %
- Real	2.9% (2.4%)	0.9% (1.9%)
Basic Wages		
- Nominal	3.9%	4.4%
- Real	1.1% (0.6%)	-0.8% (0.2%)
Variable Component Payment (Bonus)	2.17 months of basic wages	2.32 months of basic wages

Source: MOM Survey on Annual Wage Changes, 2011

Notes:

- (1) Real wage changes were deflated by Consumer Price Index (CPI) for all items. Figures in brackets refer to real wage changes deflated by CPI excluding imputed rentals on owner-occupied accommodation.
- (2) Total wages comprise basic wages, variable component payment (bonus) and estimated employer CPF contributions. Basic wages and variable component payment (bonus) exclude employer CPF contributions.

Figure 1: Annual Change in Productivity and Real Wages, 2000-2011



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Real Basic Wages	3.6 (3.2)	1.9 (1.9)	2.2 (2.1)	0.7 (0.5)	1.0 (0.7)	2.6 (2.5)	2.6 (2.5)	2.2 (2.1)	-2.2 (-1.1)	0.7 (1.7)	1.1 (0.6)	-0.8 (0.2)
Real Total Wages (incl. employer CPF contributions)	6.8 (6.4)	4.2 (4.2)	0.4 (0.3)	0.3 (0.1)	-0.1 (-0.4)	3.8 (3.7)	3.5 (3.4)	4.5 (4.4)	-1.7 (-0.6)	-1.0 (0.0)	2.9 (2.4)	0.9 (1.9)
Labour Productivity	4.8	-4.5	5.7	5.9	7.4	2.9	2.0	0.2	-7.3	-3.6	11.1	1.0

Source: MOM Survey on Annual Wage Changes (wage) and Department of Statistics, MTI (labour productivity)

Notes:

- (1) Real wage changes were deflated by Consumer Price Index (CPI) for all items. Figures in brackets refer to real wage changes deflated by CPI excluding imputed rentals on owner-occupied accommodation.
- (2) Total wages comprise basic wages, variable component payment (bonus) and estimated employer CPF contributions. Basic wages exclude employer CPF contributions.