



**Briefing on:
National Wages Council Wage
Guidelines for
July 2004 To June 2005**

Overview of 2003

- GDP Growth: 1.1%
 - Half the growth of 2002 at 2.2%.
- Unemployment: 4.7%
 - Higher than 4.4% in 2002.

Labour Market Situation in 2003

- Retrenchment: 16,400
 - lower than 19,086 in 2002.
- Total employment fell by 12,900
 - lower than 22,900 in 2002.

Wage Adjustment in 2003

- Total Wage increased by 1.5%.
- Basic Wage increased by 1.2%.
- Variable Component in 2003 remained unchanged from 2002, forming 13% of total wages in 2003.
 - Employees received AVC of 1.76 months of basic wage.

Productivity & Competitiveness in 2003

- Productivity Growth was 2.3%
 - Lower than 3.6% in 2002.
- For the second year, real wage increase lag productivity growth.
- As a result, cost competitiveness improved.

Economic Outlook for 2004

- Global economic outlook remains healthy, with synchronized recoveries across major economies.
- Unemployment rate likely to be 4% to 4.5% in 2004.
 - Higher than 3.1% in 2000.
- MTI projected GDP growth for 2004: 5.5% to 7.5%.

NWC Recommendations for 2004/2005

- Economic outlook for 2004 is more upbeat, companies should reward employees with a moderate wage increase if
 - It is sustainable
 - It will not erode their cost competitiveness.
- Wage increase should continue to lag behind productivity growth.

NWC Recommendations

- The implementation of any wage increase should, as far as possible, be in accordance with the recommendations of the Tripartite Taskforce on Wage Restructuring.
- Companies should focus their wage restructuring in the following areas:
 - Expedite the building up of the Monthly Variable Component.

NWC Recommendations

- Adopt the flexible and performance-based wage system to reward employees.
 - Move away from seniority-based wage system
 - Achieve 1.5 times of salary max-min ratio.
- Draw up clear and robust Key Performance Indicators (KPIs) to link reward to company and individual performance.

NWC Recommendations

- Specifically, NWC recommends the following:
 - a) Companies that are recovering and are profitable should reward employees with moderate wage increases.
 - The increase should be in the form of MVC.
 - To expedite the building up of the MVC in companies where the MVC target has not yet been reached, the same percentage could be set aside from employees' basic wage.

NWC Recommendations

- b) Companies that have yet to recover from the business downturn could consider granting one-off payment to reward and motivate employees, if they have difficulty granting any built-in wage increase.

- c) Companies that have done very well ought to, in addition to the granting of moderate wage increases, reward their employees with an additional bonus in line with company performance.

NWC Recommendations

- Where wage increase is granted to employees, companies should include a dollar quantum in the payment of their wage increase to benefit lower-income employees.

NWC Recommendations

- Skills Development & Upgrading
 - Important for employees to remain employable through continuous skills upgrading.
- Portable Medical Benefits Scheme
 - Strongly urged companies to introduce portability into medical benefits to help
 - re-employment difficulties faced by older employees
 - workers who experience shorter employment tenure

Applications of NWC Recommendations

- NWC recommendations are applicable to all employees: management, executives and rank-and-file employees, unionized and non-unionized companies and in both public and private sectors.
- These recommendations shall apply for the period 1 July 2004 to 30 June 2005.

Thank you!