

**Welcome to SBF & SNEF Joint  
Briefing for members on**

**NWC Wage Guidelines for  
July 2005 to June 2006**

**Tue, 31 May 2005**

**3.30 pm – 5.30 pm**

## **Programme:**

**3.30 pm Registration**

**4.00 pm NWC Wage Guidelines for  
2005/2006**

**by Koh Juan Kiat**

**Executive Director, SBF & SNEF**

**Q & A Session**

**5.30 pm End**

# Overview of 2004

- GDP Growth: 8.4%
  - ❖ Up from the 1.4% in 2003
- Unemployment: 4.0%
  - ❖ Lower than the 4.7% in 2003

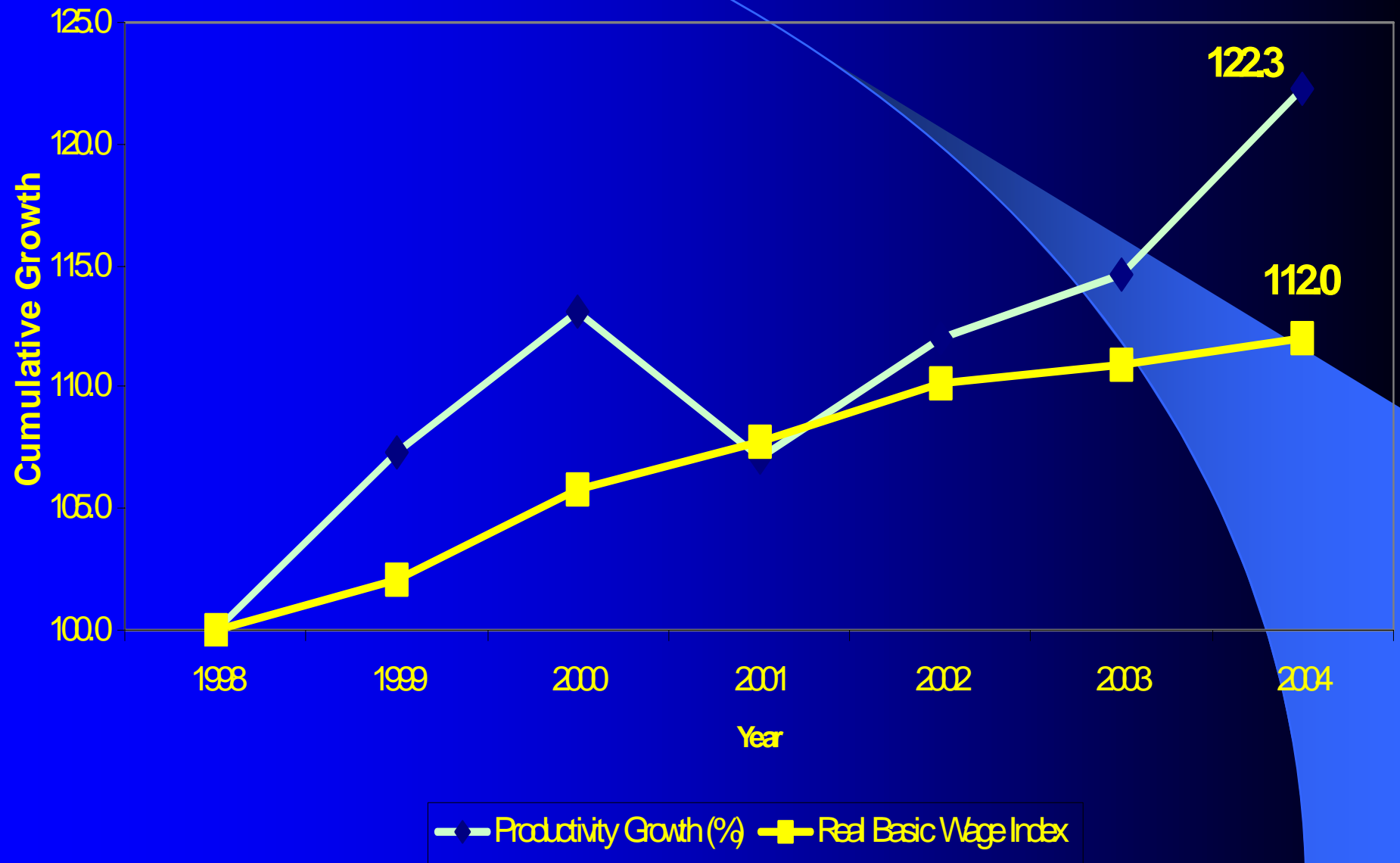
# Overview of 2004

- Retrenchment: 10,191
  - ❖ Decline of 38% compared to 16,400 in 2003
- Total Employment grew by 71,400
  - ❖ More than offsetted the 35,900 job losses in the preceding 3 years

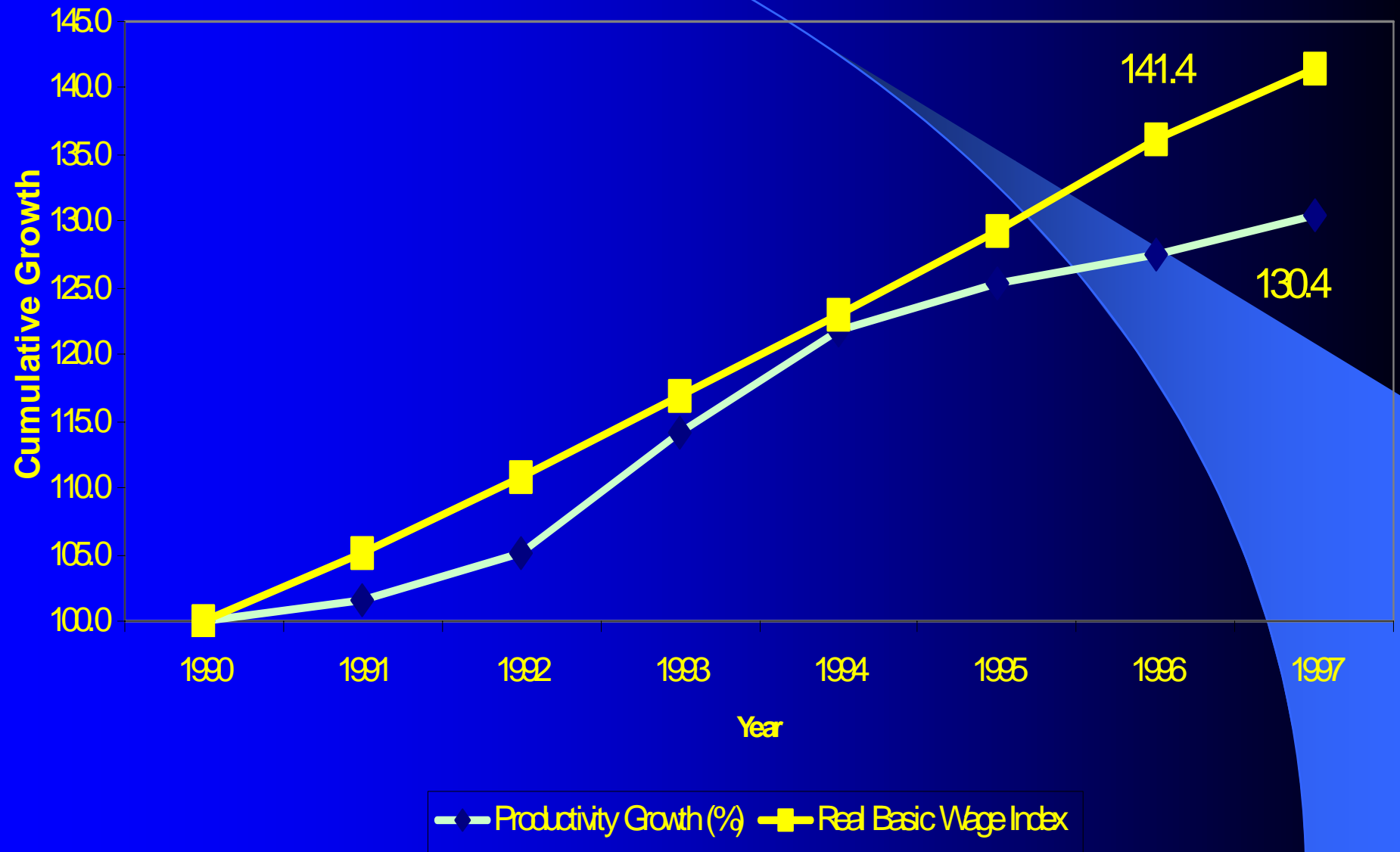
# Wage Adjustment in 2004

- Total Wage Up by 3.6%
- Basic Wage Up by 2.7%
- 2/3 of total wage increase went into base pay
- AVC increased to 1.87 months from 1.76 months in 2003

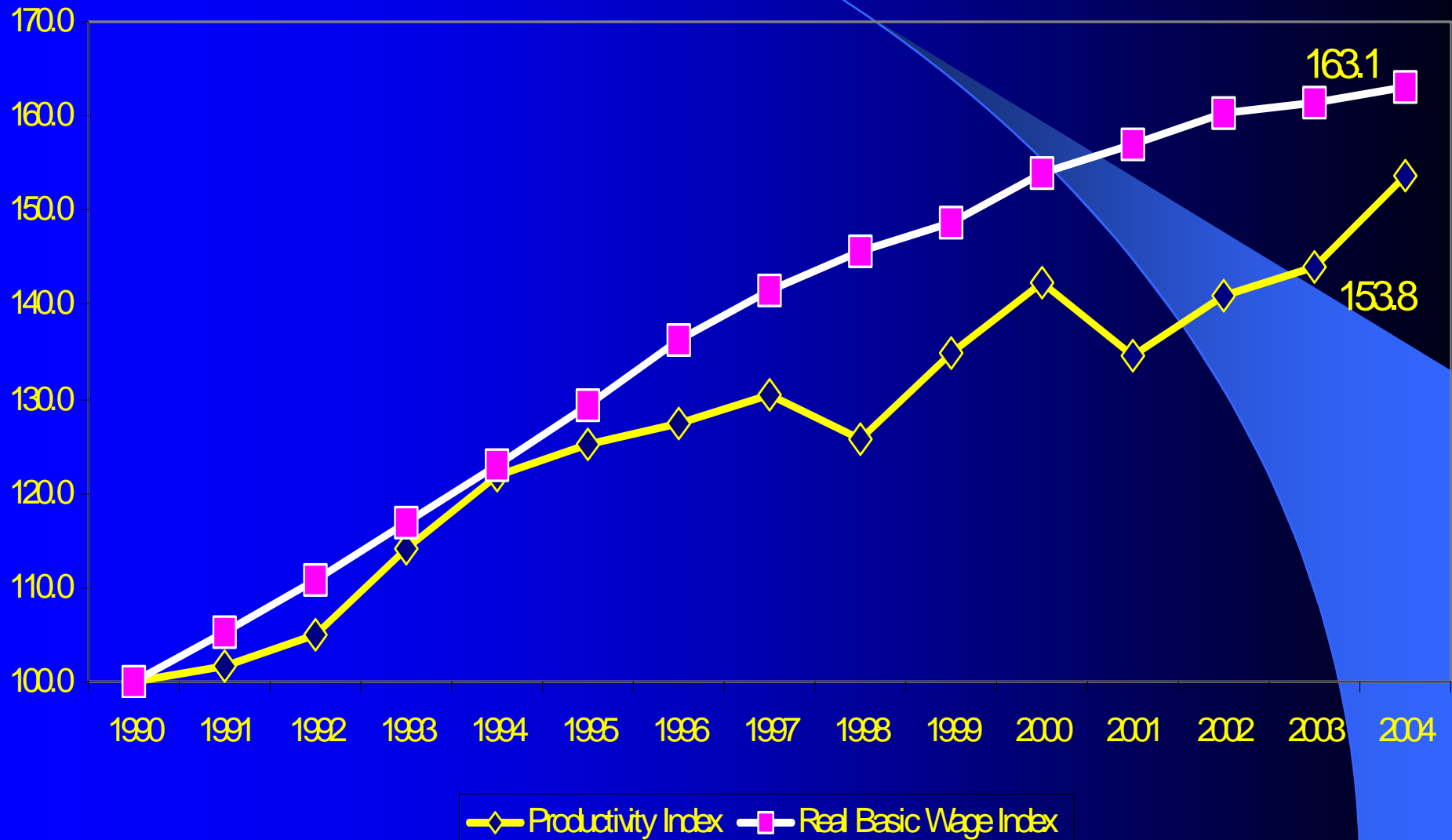
# Productivity vs Wage 1998-2004



# Productivity vs Wage 1990-1997



# Productivity vs Wage 1990-2004



# Sectoral Productivity and wage increases

Average Annual % Change from 1998 to 2004

		<b>Average (%)</b>
<b>Manufacturing</b>	Productivity	7.27
	Real Wage	1.92
	Nominal Wage	2.68
<b>Service</b>	Productivity	1.96
	Real Wage	2.30
	Nominal Wage	3.07
<b>Construction</b>	Productivity	-0.82
	Real Wage	0.18
	Nominal Wage	0.88

# Economic Outlook for 2005

- Economic growth of US, Japan and EU, 3 of the largest trading partners, likely to slow down
- Some downside risk from high oil price
- GDP growth in Q1 2005 was 2.5%
- MTI has revised whole year GDP growth to 2.5% to 4.5%

# Labour market outlook

- Unemployment rate expected to average around 3.5% in 2005
- Lower compared to 4.0% in 2004

# CPI

- In 2004 CPI increased by 1.7%
  - ❖ healthcare increased by 6%
- In 2005 Q1, CPI increased by 0.3%
- In 2005, projected CPI increase between 0 to 1%

# **NWC Recommendations for July 2005 to June 2006**

- ***Make Greater Use of Bonuses for  
a More Responsive and Flexible  
Wage System***

# NWC Recommendations for July 2005 to June 2006

- Give wage increase if it is sustainable
  - ❖ Build up MVC if target has not been reached
  - ❖ Current level of MVC is 6.9% of monthly basic salary

# Key Principle

- Built in wage increase should lag behind productivity increase
- 3 year ( 02-04)
  - ❖ Productivity Growth Average was 4.73%.
  - ❖ Average Real basic wage (ARBW) growth was 1.3%
  - ❖ Average Nominal wage (ANW) growth was 1.93%
- 5 year (00-04)
  - ❖ Productivity Growth Average was 2.8%
  - ❖ ARBW was 1.94%
  - ❖ ANW was 2.84%

# If awarding wage increase

- Give higher wage increase to low wage workers by
  - A. higher percentage and/or
  - B. giving dollar quantum and percentage

# WHY?

- Despite earlier NWC recommendations to give quantum wage increase for low wage worker, executives earned higher wage increases
- SNEF survey showed increment for rank-&-file in 2004 was 2.47% compared to executive's 2.81%
  - ❖ Largely due to lower wage increase for blue collar workers

# How?

- Example
- 100 employees; average salary \$2000
- 3% payroll increase or \$6000 per month
- Award within a range of say 2.5 to 3.5%
- Convert to eg 2% plus \$20 or 1.5% plus \$30 or 1% plus \$40

# Can do so for Bonus as well

- Eg 1 month bonus
- Convert to say 0.85 month plus \$XX

# NWC Recommendations

- ***Continue with Wage Restructuring Efforts and Strengthen HR Practices***
  - ❖ Implement all 3 key recommendations
    - Introduce MVC into wage structure (70:10:20).
      - **Companies with MVC:( 77:6:17)**

# NWC Recommendations

- ❖ Narrow Max-Min ratio to 1.5 or less
  - Rank-&-File: 1.59
  - Junior Management: 1.68
- ❖ Variable Bonus linked to KPIs
  - 47% of companies implemented

# Linking KPI to Variable Pay

- SNEF launching new course on 30 June to address this
- 100 SME members will be assisted by SNEF to install PMS
- Please respond through the survey form

# Non-Wage Costs

- To contain the cost of doing business and cost of living in Singapore, the NWC urges the Government and service providers to moderate non-wage costs such as rentals, telecommunication and utility charges, transport costs and government fees.

# NWC Recommendations

- ***Facilitate Portable Medical Benefits Scheme (PMBS)***
  - ❖ PMBS to ride on the revamped Medishield Scheme
  - ❖ Study PMBS to make necessary adjustments to facilitate implementation

# To recap, why PMBS ?

- Provide a medical safety net for workers in-between employment, when they move to new employers, and when they retire
- Introduce personal responsibility and sustain employability by way of co-payment to moderate predictable cost increases and to enhance employability of older workers

# Recapping PMBS . . .

1. Employer contributes extra 1% of monthly salary to Medisave subject to min of \$16 p.m. (i.e. current EA ceiling), max of current CPF ceiling, and this is in lieu of existing employer-provided hospitalisation & surgical (H & S) benefits
2. Employee shall use the extra Medisave contributions to buy his personal Medishield or other Medisave-approved Shield plan – which is portable regardless of his employment status, as long as premiums are paid

# **But all Shield plans impose deductibles, co-payments & payment limits**

- Therefore, there is need for complementary/supplementary H & S insurance - either on a group or personal basis
- To minimise premiums “wastage”, these plans should ride on and not duplicate the employee’s personal Shield plan

# Developments . . .

*SBF and SNEF have been discussing with AIA, AVIVA, Great Eastern and NTUC Income how to re-design employer-sponsored H & S benefits that ride on the revamped Medishield and other approved Shields, so that employees can carry their H & S plans in-between jobs, to new employers, and after their retirement.*

## Possibly . . .

- If Medisave cannot be used to purchase these rider plans, employers may have to split the extra 1% contributions into:
  - (a) employee's Medisave account and
  - (b) directly to insurers
- The 1% contribution may have to be distributed unevenly among employees to cater to those whose premiums are higher

# PMBS

- SNEF looking for 100 first mover implementers to help design a custom fit PMBS
- Please respond through the survey form

# **NWC Recommendations**

## **➤ *Maintain Competitiveness of Our Workforce***

- ❖ Step up Skill Training and Upgrading
- ❖ Make use of incentives provided by WDA

## **➤ *Enhance Employability of Older Workers***

- ❖ Tripartite Committee is looking into the issue

# Issues been discussed

- How to raise effective retirement age without legislation.
  - ❖ LPR for workers above 55 shows steep decline to 58.2 % from 73.0% before 55
- Wages and benefits
- Training
- HR Recruitment Practices

# Current HR practices

- Contracts
- Specialists, advisor, trainer positions
- Repackage benefits eg leave n medical
- Wage reduction
- but where worker skills still in demand; no change

# Older workers

- SNEF looking for 100 companies to help redesign jobs for older workers
- Please respond through survey form
- Please choose 1 of the 3 programs or rank them

# Application of NWC's Recommendations

- The NWC recommendations cover the period from 1 July 2005 to 30 June 2006.
- These recommendations are applicable to all employees – management, executives and rank-and-file employees, unionized and non-unionised companies and in both the public and private sectors.

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**Thank You!**