



SINGAPORE  
BUSINESS  
FEDERATION



# **National Wages Council Guidelines 2007/08**

23<sup>rd</sup> May 2007

**Mr Stephen Lee**

**Chairman, SBF & President, SNEF**

# Review of Economic Performance

	2002	2003	2004	2005	2006
<b>GDP Growth (%)</b>	4.0	3.1	8.8	6.6	7.9
<b>CPI (%)</b>	-0.4	0.5	1.7	0.5	1.0

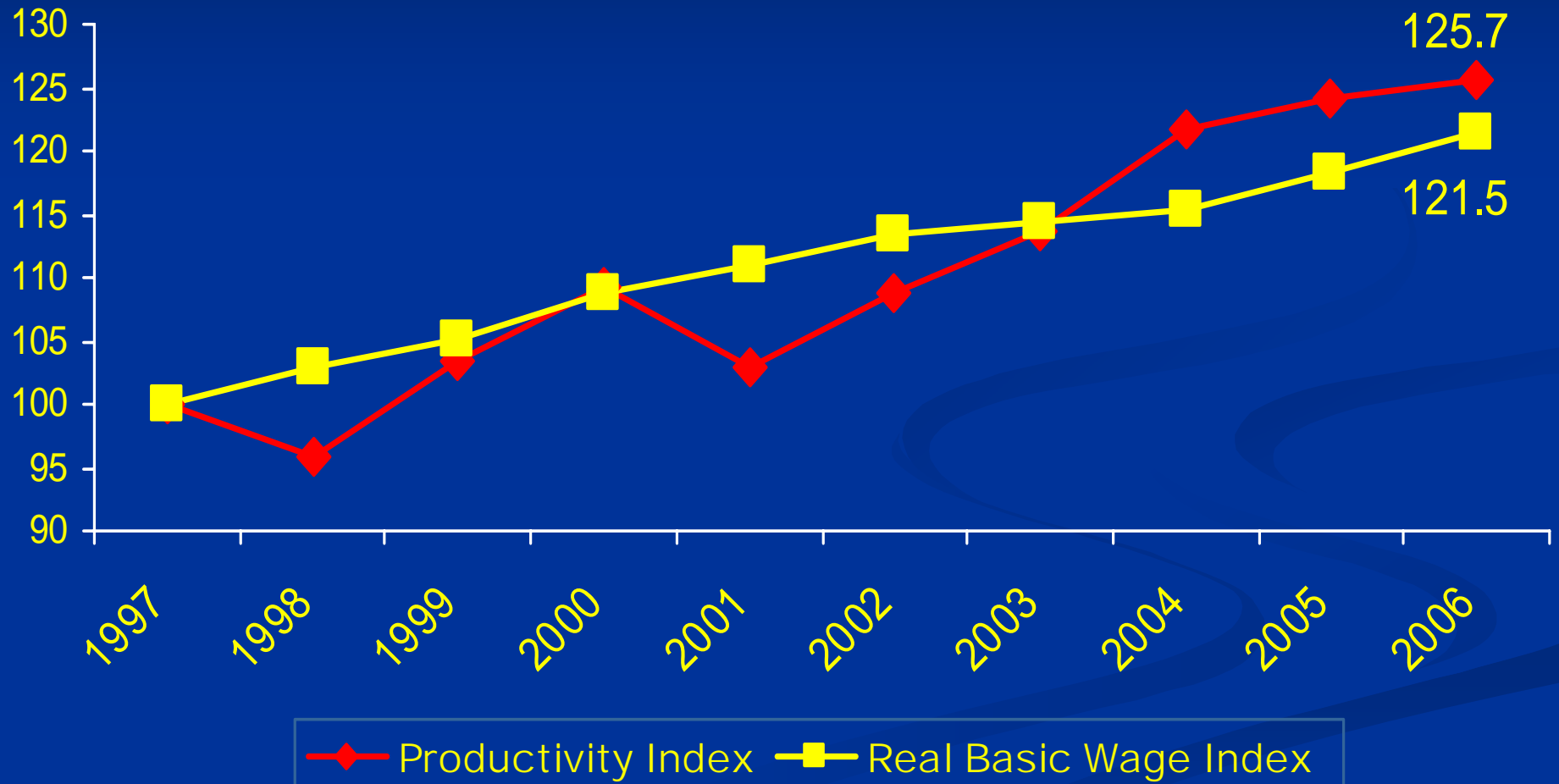
# Review of Labour Market

	2002	2003	2004	2005	2006
<b>Employment ('000)</b>	2,148.1	2,135.2	2,206.6	2,319.9	2,495.9
<b>Employment Changes ('000)</b>	-22.9	-12.9	71.4	113.3	176.0
<b>Resident Unemployment Rate (%)</b>	4.8	5.2	4.4	4.1	3.6
<b>Unemployment Rate (%)</b>	3.6	4.0	3.4	3.1	2.7
<b>Retrenchment</b>	19,086	16,400	10,191	10,294	12,359

# Review of Productivity Growth and Wage Increases

	2002	2003	2004	2005	2006
Productivity Growth (%)	5.7	4.4	7.0	2.1	1.2
Nominal Basic Wage Increase (%)	1.8	1.2	2.7	3.1	3.6
Real Basic Wage Increase (%)	2.2	0.7	1.0	2.6	2.6
Annual Variable Component (Months)	1.77	1.76	1.87	2.06	2.18

# Review of Productivity and Wage Cost Competitiveness



# Relative Competitiveness in 2006

- Unit Labour Cost
  - Whole economy decreased by 0.5%
  - Manufacturing decreased by 3.6%
- Relative Unit Labour Cost
  - Increased by 1.5% after 4 years of decline

# Economic Outlook

- 1<sup>st</sup> Quarter 2007
  - GDP Growth=6.1%
  - Employment grew by 48,000
  - Resident Unemployment rate 4%
  - Productivity declined by 1.6%
  - CPI rose by 0.5%
- Projected GDP growth in 2007 is raised from 4.5 to 6.5% to 5.0 to 7.0% (MTI)
- Projected CPI is 0.5 to 1.5% (MAS)

# **NWC**

# **Recommendations**

## **(A) Wage increase for good performance**

- In view of strong 2006 growth, positive 2007 outlook and tightening labour market Companies should grant wage increase to workers for their contributions to good corporate and economic performance.
- Built-in wage increase should continue to be sustainable in the long run and lag behind productivity growth.

## **(A) Wage increase for good performance**

- Where a built-in wage increase may not be sustainable, companies could moderate the increase and grant workers higher variable bonuses.
- Wage increase and bonus payment should be more closely linked to company and individual performance.
- Companies performing exceptionally well should consider giving one-off special bonuses to workers.

## **A) Wage increase for good performance**

- In granting wage increases, companies should take into account the 1.5 percentage point restoration in employers' CPF contribution as well as the lower CPF contribution rates for older low wage workers as such contributions are part of the overall wage package.

# A) Wage increase for good performance

- Enhance productivity to sustain wages and cost competitiveness
  - Training and skills upgrading are crucial
  - WDA and NTUC have been building up the continuing education and training infrastructure for adult workers
  - All workers, whether they are low-skilled workers or PMETs, are encouraged to take advantage of this to upgrade themselves and keep pace with the changes in the economy

## **(B) Employ older workers and re-employ those above age 62**

- The NWC strongly supports the recommendations in the final report of the Tripartite Committee on Employability of Older Workers which was released on 17 May 2007.
- NWC urges companies and unions to work together to implement policies and programmes to recruit and retain more older workers and re-employ those workers beyond the age of 62, by adopting the Tripartite Guidelines on the Employability of Older Workers above age 62.

## **(B) Employ older workers and re-employ those above age 62**

- The NWC also urges companies to move to job-based, competency-based and/or performance-based wage systems
- Companies should also embark on job redesign to make jobs more suitable for older workers and encourage them to upgrade their skills and enhance their employability

## **(C) Help low wage and informal workers**

- In granting wage increases, companies to give higher increases to low wage workers. This could be done by specifying a higher percentage increase and/or by including a dollar quantum for built-in wage increases. They could also apply the same principle for the payment of variable bonuses.
- Employers and unions work with the government in a tripartite effort to reach out to and help self-employed and low wage/informal workers understand the benefits of WIS, and help them contribute to their CPF so that they can be eligible for WIS.

## **(C) Help low wage and informal workers**

- The tripartite partners continue to work together to help low wage/informal workers upgrade their skills and enhance their job value and job security through job re-creation.
- Companies outsourcing work to implement best sourcing based on standards and performance and not just price alone. This would achieve sustainable value for money and avoid compromising on quality and workers' wages.

## **(D) Flexible and performance-based wage systems**

- The NWC recommends that companies continue to narrow the max-min ratio to 1.5 or below
- Companies granting built-in wage increase should use the increases to build up the MVC.
- Companies that have already achieved 10% MVC could consider building up the MVC further.

## **(D) Flexible and performance-based wage systems**

- Share company information with employees
  - This practice helps to strengthen trust between companies and workers, as information on corporate performance and KPIs are used to determine rewards for workers.

# Application of NWC's Recommendations

- The NWC recommendations cover the period from 1 July 2007 to 30 June 2008.
- These recommendations are applicable to all employees – management, executives and rank-and-file employees, unionized and non-unionised companies in both the public and private sectors.

# Conclusion

- With the good economic performance, positive economic outlook as well as the strong labour market, companies should reward workers with wage increases and bonuses.
- Companies can do more to hire and retain older workers
- Companies and workers should enhance productivity and innovation and push ahead with wage restructuring to increase flexibility and responsiveness.

**Thank You!**