



SNEF



SINGAPORE
BUSINESS
FEDERATION

National Wages Council Guidelines 2008/09

16th May 2008



Review of 2007

- GDP grew by 7.7%, lower than 8.2% in 2006
- Record 234,900 Jobs created, 176,000 jobs in 2006
- Overall unemployment rate
 - Down to 1.7% in Dec 07, 2.7% in Dec 06
- Resident unemployment rate
 - Down to 2.4% in Dec 07, 3.7% in Dec 06
- Inflation was 2.1% in 2007, up from 1.0% in 2006

Nominal Wages in 2007

	2006	2007
Total Wages (%)	4.5	5.9
Basic Wages (%)	3.6	4.3
Bonus incl. AWS (Months)	2.18	2.36

Real wages and Productivity

- Productivity declined by 0.9%, down from the 1.5% growth in 2006
- As a result, real basic wage growth of 2.2% exceeded productivity growth, second year in a row
- Over longer term, basic wage growth lagged productivity growth

Productivity & Wages

	2003	2004	2005	2006	2007
Productivity Growth (%)	4.8	7.2	2.8	1.5	-0.9
Nominal Basic Wage Growth (%)	1.2	2.7	3.1	3.6	4.3
Real Basic Wage Growth (%)	0.7	1.0	2.6	2.6	2.2
Bonus incl. AWS (Mths)	1.76	1.87	2.06	2.18	2.36

Cost competitiveness in 2007

- Unit Labour Cost increased by 3.8% in 2007, 0.5% in 2006
- Unit business cost in manufacturing increased by 2.0%
 - Labour cost
 - Property-related cost
- Relative unit labour cost in manufacturing rose by 2.2% due to:
 - Higher labour cost
 - Stronger exchange rate

Economic Outlook 2008

- 1st Quarter 2008 (estimates)
 - GDP grew by 7.2%
 - Employment increased by 68,400
 - Resident Unemployment Rate increased to 2.9%
- GDP projected to grow by 4 to 6%
 - Global Financial markets
 - US Economic Slowdown
- Inflation expected to be 4.5% to 5.5%
 - Higher Food Prices
 - Oil-related items

Sources of Inflation 1st Quarter 08

Y-o-Y	Jan		Feb		Mar	
	%	% Point	%	% Point	%	% Point
All Items	6.6	6.6	6.5	6.5	6.7	6.7
Housing	11.1	2.4	8.8	1.9	8.1	1.7
Transport & Communications	6.9	1.5	7.6	1.7	7.9	1.7
Food	5.8	1.4	6.7	1.6	7.6	1.8
Recreation & Others	3.7	0.6	4.2	0.7	4.6	0.8
Healthcare	7.4	0.4	7.4	0.4	7.3	0.4
Education & Stationery	3.8	0.3	3.7	0.3	3.7	0.3
Clothing & Footwear	3.9	0.1	1.8	0.1	1.2	0.0

Source: Dept of Statistics

Government Combating Inflation

- GST offset Package
 - GST Credits
 - Senior Citizens' Bonus
 - Utilities-Save
 - Service & Conservancy Charges and Rental Rebates
 - Property Tax Rebate
- Effects of GST would wear off in the 2nd Half of 2008

Government Combating Inflation

- Growth dividends of \$300 to \$400 for most adult Singaporeans
 - About 1% of median monthly gross income earners
(\$300/ \$2,330 x12) (Median income data from MOM)
- Workfare Income Supplement (WIS)
 - Improve low wage workers income and CPF savings
- Com-Care fund set aside \$1 Million to help needy cope with inflation (Channel News Asia, 6 April 2008)

Combating Inflation

- NTUC has given U stretch vouchers
 - 5% discount off every \$10 spent at 6 NTUC Cooperatives

Push for Productivity Improvement

- Productivity drives sustainable wage increases
- **NWC strongly urges the government, companies and workers/unions to work together in a concerted effort to improve productivity through innovation, job re-design and stepping up of the training of workers through the enhanced Continuing Education and Training (CET) system.**

Grant Sustainable Wage Increase Commensurate with Performance and Prospects

- **Companies grant built-in wage increase commensurate with the companies' performance as well as business prospects to ensure that such increases are sustainable.**
- **Companies should make greater use of variable payment to reward workers for their contribution to corporate performance, taking into consideration the total wage increase to be given.**
- **Companies which have done exceptionally well and with continued good prospects should consider granting workers a higher variable payment.**

One-off Special Payment for Rank-and-File Workers

- To further help workers cope with the impact of higher inflation this year, taking into account Government's assistance measures and the ability of the company to pay, **companies should consider giving a one-off special lump sum payment to rank-and-file workers, with heavier weightage for low wage workers.**

Enhancing Efforts to help Low Wage, Contract and Informal Workers

- Employers could also consider making top-ups to their workers' CPF accounts to enhance their retirement adequacy, and enjoy tax deduction for doing so.
- **Companies that are granting wage increases could include a dollar quantum for built-in wage increases as well as variable bonus payments to benefit the low wage workers more.**

Enhancing Efforts to help Low Wage, Contract and Informal Workers

- To help contract workers, many of whom are low wage workers, **companies outsourcing work are urged to adopt the Tripartite Advisory on Responsible Outsourcing Practices.**

Enhancing Employability of Older Workers

- **The Council strongly urges employers to work with unions/workers to implement re-employment policies and systems as soon as possible, by adopting the Tripartite Advisory on Re-employment of Older Workers issued by the Tripartite Implementation Workgroup (TIWG).**
- **Employees are also encouraged to work longer and prepare themselves for re-employment.**

Enhancing Wage Flexibility

- The NWC would like to urge companies to step up efforts to enhance their wage flexibility. This includes the introduction and building up of the Monthly Variable Component (MVC) as well as reducing the maximum-minimum salary ratio to better reflect the value of the job.

Monitoring the Situation

- As the outlook of the economy and inflation remains uncertain, the Council urges the government, employers and unions to monitor closely the situation and the impact on companies and workers

Application of NWC's Recommendations

- The NWC recommendations cover the period from 1 July 2008 to 30 June 2009.
- 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.
- Share relevant information

Thank You!