

Wage Practices for Lower-wage Employees 2021

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MANPOWER**

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WAGE PRACTICES FOR LOWER-WAGE EMPLOYEES 2021

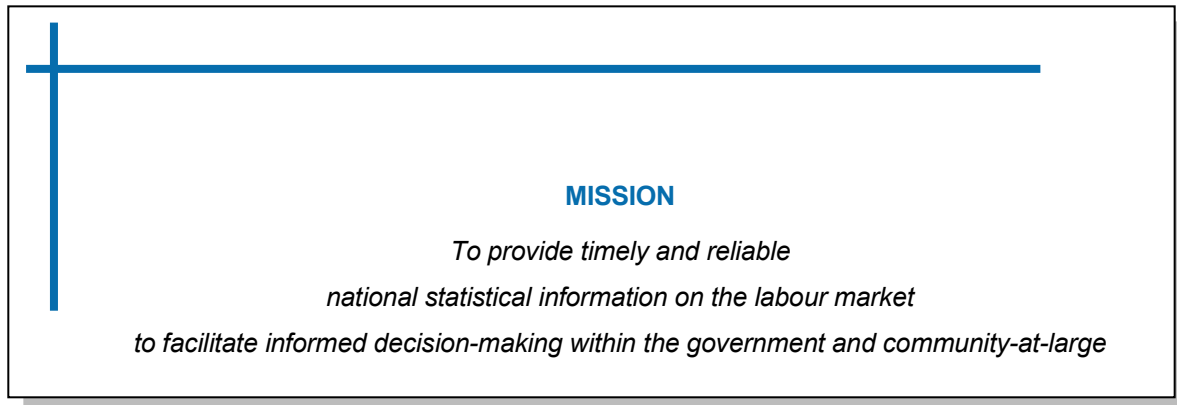
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Abbreviations

MOM: Ministry of Manpower

NWC: National Wages Council

SSIC: Singapore Standard Industrial Classification

Highlights

- A lower proportion of establishments provided wage increases to their lower-wage employees in 2021¹ (from 65% in 2020 to 44% in 2021). This was due to a wider coverage of lower-wage employees in 2021², which meant that providing wage increases for a greater pool of employees would be more costly for establishments. Nonetheless, among lower-wage employees who did receive wage increments in 2021, they enjoyed a higher quantum of raise on average, compared to the previous three years.
- A large majority of establishments chose to freeze wages in 2021 instead (56%). This was not unexpected, as businesses chose to adopt more conservative wage practices in view of the impact of COVID-19, the increased downside risks in the global economy, and inflationary pressures.
- Like past years, establishments that were not profitable, or sectors more adversely impacted by the pandemic were less likely to provide wage increases to their lower-wage employees. The top reason for not providing wage increases to lower-wage employees remained poor performance of establishment (28%), and their incidence saw a large increase over the year, amidst the changing macroenvironment.
- Alongside the expanded coverage of lower-wage employees, the National Wages Council's (NWC's) recommended wage increase quantum (\$) to be paid out to lower-wage employees also rose significantly in 2021.³ With the higher cost burden, employers found it harder to provide the recommended quantum of wage increases to their lower-wage employees.
- Among establishments that had done well or were recovering/had recovered, as well as those which implemented an overall wage freeze policy, about 3 in 10 had done so. Conversely, of the few establishments with an overall wage cut policy, almost all retained the wages of their lower-wage employees.
- Moving forward, improvements in the adoption rate of NWC guidelines for lower-wage employees are expected as the economy recovers, employers receiving support from various schemes such as the Progressive Wage Credit Scheme, and new lower-wage employee policies such as Local Qualifying Salary and Progressive Wage Model expansions taking effect from September 2022.

¹ In 2021, this refers to employees earning a gross monthly wage of \$2,000.

² In 2020, the NWC guidelines for lower-wage employees covered employees earning up to a basic monthly wage of \$1,400. In 2021, lower-wage employees referred to employees earning up to a gross monthly wage of \$2,000. With this, the number of lower-wage employees covered almost doubled from 134,000 in 2020 to 252,000 in 2021.

³ In 2020, establishments were considered to have adopted NWC guidelines for lower-wage employees if they provided a wage increase of any amount. In 2021, the recommended wage increase was \$70 to \$90 or 4.5% to 7.5%, whichever was higher for firms which had done well, or were recovering /had recovered from the impact of COVID.

1 Introduction

1.1 With the Government's efforts to uplift wages of lower-wage workers and promote a fair and inclusive society, this report examines establishments' wage practices for their lower-wage employees⁴, including the extent to which they adopted the recommendations of the 2021/2022 National Wages Council (NWC)⁵. The findings are based on data from the Survey on Annual Wage Changes⁶, which covered private establishments each with at least 10 employees. The survey coverage and methodology are explained in [Annex B](#).

2 Wage increases for lower-wage employees

2.1 44% of establishments provided wage increases to their lower-wage employees in 2021.⁷ This proportion was lower than in 2020 (65%) and preceding years, due to an expansion in the definition of lower-wage employees in 2021². Providing wage increases for a greater pool of lower-wage employees would be more costly for establishments.

2.2 Nonetheless, lower-wage employees who were given a built-in wage increase in 2021 received higher wage increases on average (9.0%) compared to 2020 (6.2%) and pre-pandemic periods.^{8,9} The magnitude of raise was also higher than that of all rank & file employees in 2021 (7.3%).

2.3 The majority of establishments chose to freeze wages instead (from 35% in 2020 to 56% in 2021). Businesses preferred a more conservative approach in view of the impact of COVID-19 and its potential trajectory, the uncertain global external environment and inflationary pressures.

2.4 Consistent with past years, establishments that were not profitable (38%) were less likely to provide wage increases to their lower-wage employees. Industries that were more adversely impacted by the pandemic, such as *food & beverage services* (29%) and *retail trade* (40%), also had a lower likelihood of providing wage increases for lower-wage employees. Conversely, the bulk of the firms that had done well in 2021 and experienced healthy revenue growth granted wage increases to their lower-wage workers (65%), signalling that the uneven impact of the pandemic affected firms' remuneration practices.

⁴ In 2021, lower-wage employees refer to employees earning a gross monthly wage of \$2,000 and below. In earlier years, it refers to employees earning up to a basic monthly wage of \$1,100 (2015 & 2016) /\$1,200 (2017) /\$1,300 (2018) /\$1,400 (2019 & 2020).

⁵ The NWC 2021/2022 guidelines was released in October 2021.

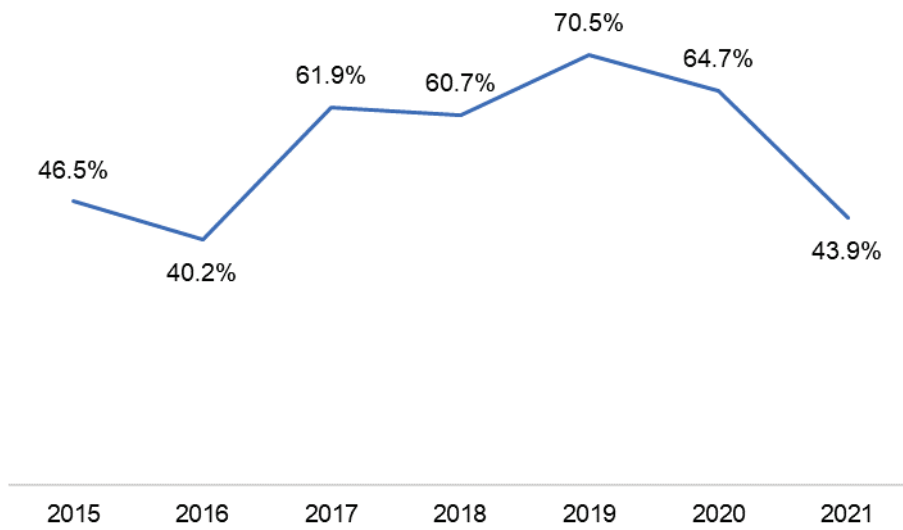
⁶ Data pertain to full-time resident employees in continuous employment of at least one year. This removes the effects due to compositional changes – such as job changes, new entrants.

⁷ Consequently, the proportion of lower-wage employees who received wage increases also declined (from 69% in 2020 to 48% in 2021).

⁸ In 2018 and 2019, the quantum of built-in wage increase for lower-wage employees was 7.8% and 6.8% respectively.

⁹ Similar trends were observed for lower-wage employees performing outsourced work (2020: 4.5%; 2021: 9.8%).

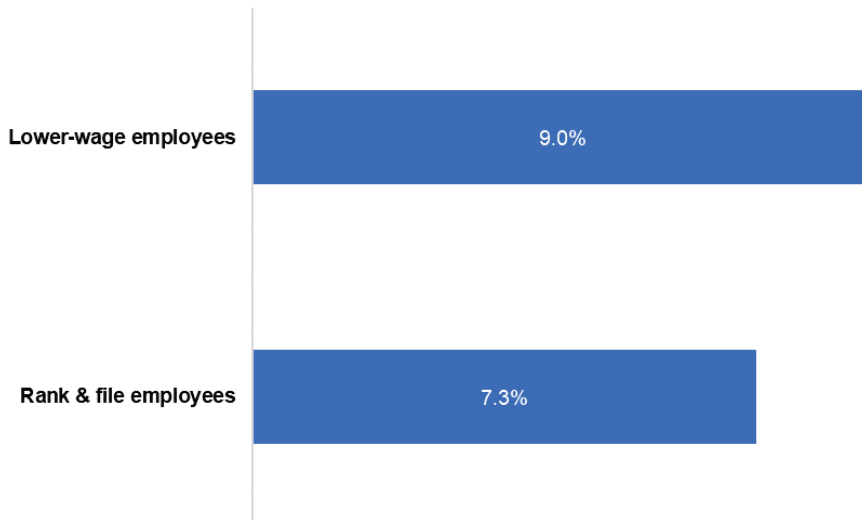
Chart 1: Proportion of establishments that gave wage increase to lower-wage employees



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Note: Based on private sector establishments (each with at least 10 employees) with lower-wage employees.

Chart 2: Quantum of built-in wage increase for rank & file and lower-wage employees, 2021



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

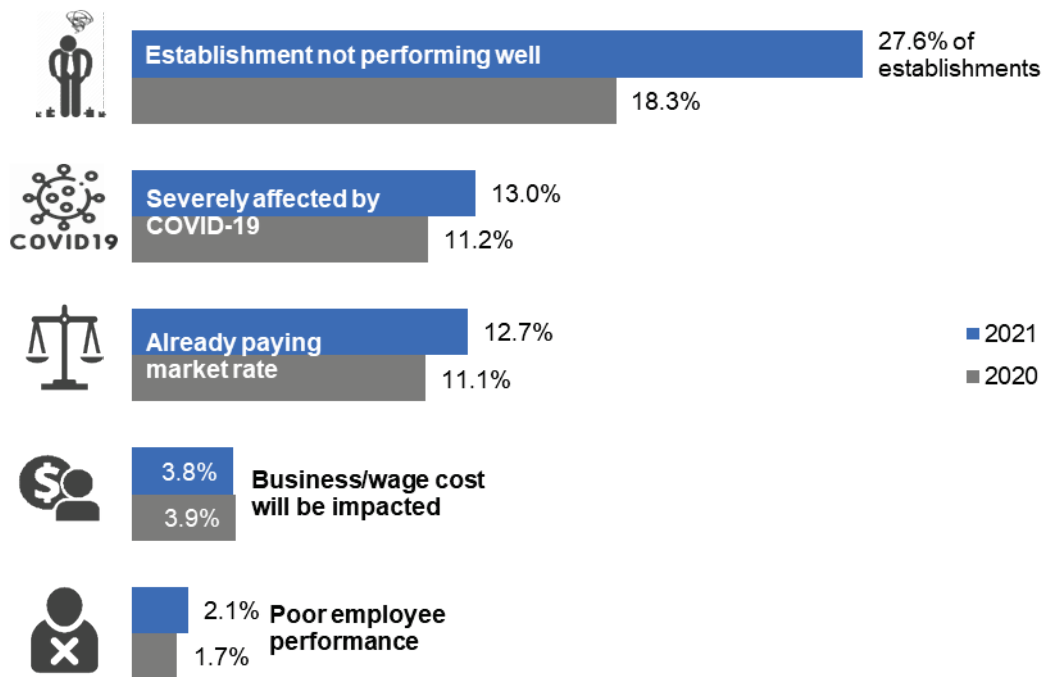
Notes:

(1) Data are based on private sector establishments (each with at least 10 employees) with lower-wage employees and gave built-in wage increases to these employees in 2021.

(2) The quantum of built-in wage increase for lower-wage employees performing outsourced work was 9.8% in 2021.

2.5 In 2021, establishments' top reason for not providing wage increases for lower-wage employees remained poor performance of establishment (28%). This reason saw a notable increase over the year amidst the changing macroenvironment. Establishments also remained impacted by the pandemic (13%), or felt they were already paying wages on par with the market rate (13%), and hence did not give wage increases to its lower-wage employees.¹⁰

Chart 3: Establishments' top reasons for not giving wage increase to lower-wage employees, 2021



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:

- (1) Based on private sector establishments (each with at least 10 employees) with lower-wage employees.
- (2) Figures will not sum up as establishments could choose multiple reasons.

¹⁰ As lower-wage employees tend to be employed under outsourced service contracts, we also monitor the wage outcomes of this sub-group of lower-wage employees. In 2021, more than half of establishments provided wage increases to such employees (56%), higher than the overall proportion (44%). Poor business performance was the top reason establishments did not provide wage increases to lower-wage employees performing outsourced work. More information is available in [Annex A](#).

3 Firms' responses to NWC guidelines for lower-wage employees

3.1 Alongside the higher coverage of lower-wage employees, there was also a significant rise in the National Wages Council's (NWC's) recommended wage quantum increases (\$) to be provided to lower-wage employees in 2021. Taken together, the cost of adopting the 2021/2022 guidelines for lower-wage employees would weigh more on establishments.

Table 1: NWC's quantitative wage guidelines for lower-wage employees 2021/2022

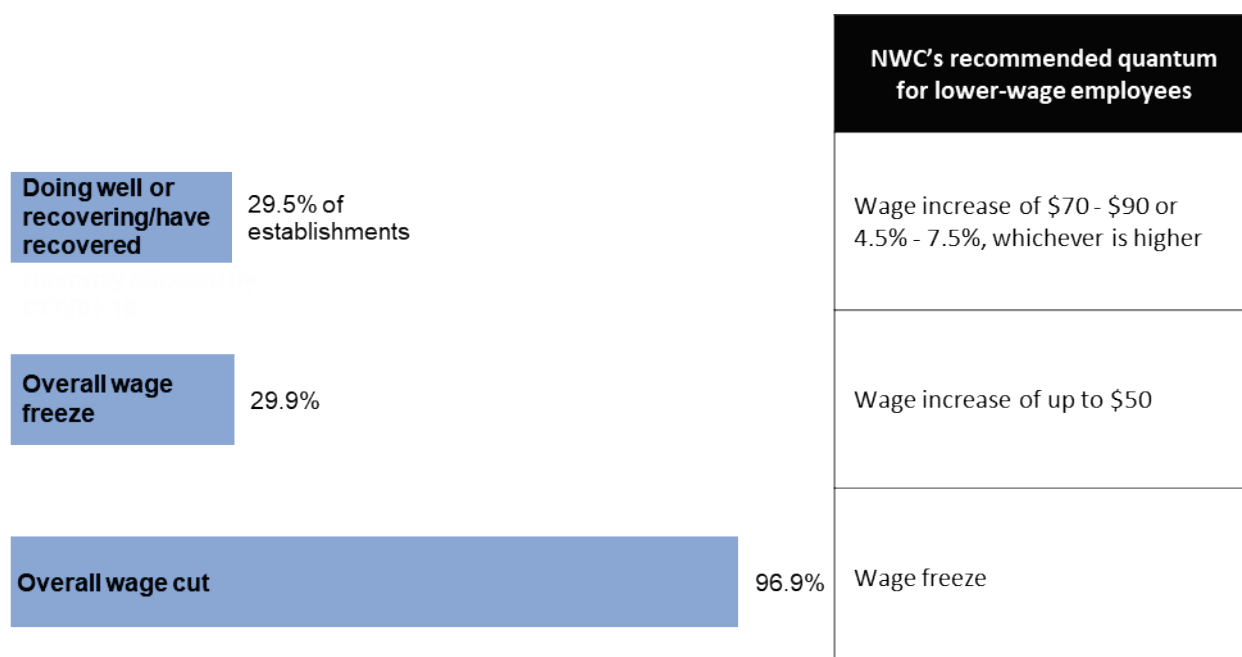
Period of Guidelines	Monthly wage threshold	Recommended built-in wage increase for lower-wage employees
2020/2021	Basic monthly wage of \$1,400	A wage increase of any amount
2021/2022	Gross monthly wage of \$2,000	<u>Establishments that were doing well or recovering/have recovered</u> A wage increase of \$70 - \$90 or 4.5% - 7.5%, whichever is higher
		<u>Establishments that implemented an overall wage freeze</u> A wage increase of up to \$50
		<u>Establishments that implemented an overall wage cut</u> To freeze wages of lower-wage employees

3.2 As a result, the proportion of establishments which adopted NWC's recommended guidelines for lower-wage employees were low in 2021. About 3 in 10 establishments (30%) that had done well or were recovering/have recovered adopted NWC's guidelines. A similar proportion (30%) among establishments with an overall wage freeze policy gave wage increases to their lower-wage employees; these establishments likely have less capacity to grant wage increases, as they tended to be smaller in size and often more adversely affected by the pandemic.

3.3 Only a minority of establishments (6.8%) adopted an overall wage cut policy in 2021. Amongst them, almost all adopted the NWC's guidelines (97%), preserving the wages of their lower-wage employees, likely as this was less costly to implement than wage increases.

3.4 Going forward, the adoption rate is expected to improve as the economy recovers, alongside various government policies and support schemes that target lower-wage workers, such as the Progressive Wage Credit Scheme, and the expansion of the Progressive Wage Model and Local Qualifying Salary.

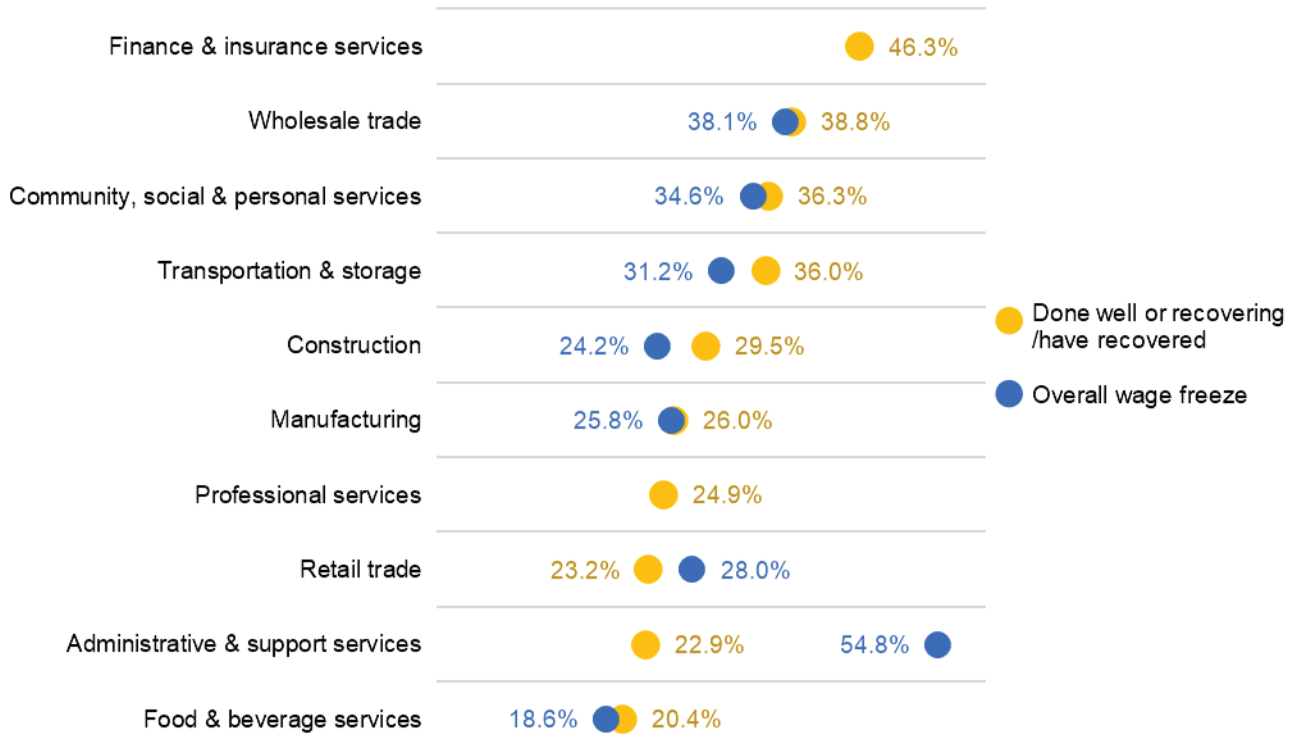
Chart 4: Proportion of establishments which adopted NWC's guidelines for lower-wage employees, 2021



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

3.5 Adoption rates of NWC's guidelines for lower-wage employees varied across industries, with higher adoption rates observed in sectors less affected by the impact of COVID-19 such as *financial & insurance services* and *wholesale trade*. These sectors also had a higher share of profitable firms and had higher total wage change. In contrast, sectors more adversely impacted by COVID-19 (such as *retail trade* and *food & beverage services*) had lower adoption rates, as they were less likely to provide wage increases in 2021.

Chart 5: Proportion of establishments which adopted NWC's guidelines for lower-wage employees by industry, 2021

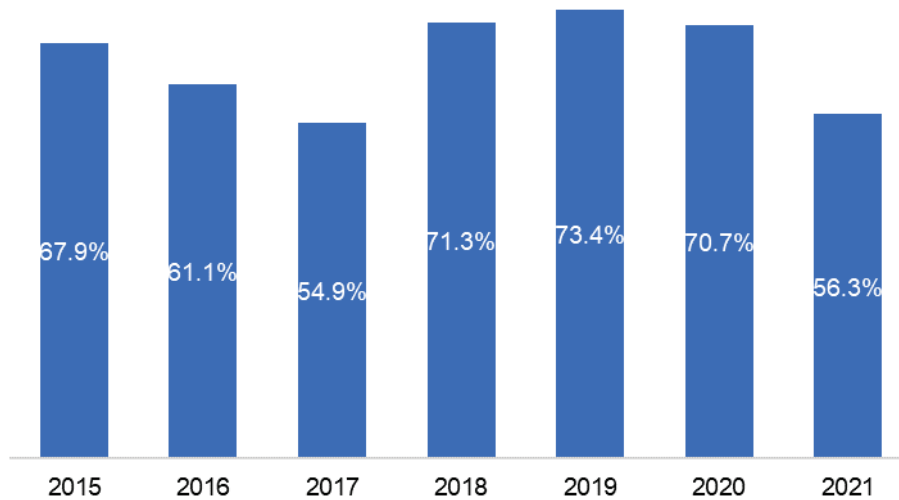


Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Note:

Data are not separately shown due to suppression: (For all) Information & communications, real estate and accommodation; (For overall wage freeze) Finance & insurance services and professional services.

Chart A1: Proportion of establishments that gave wage increase to lower-wage employees performing outsourced work

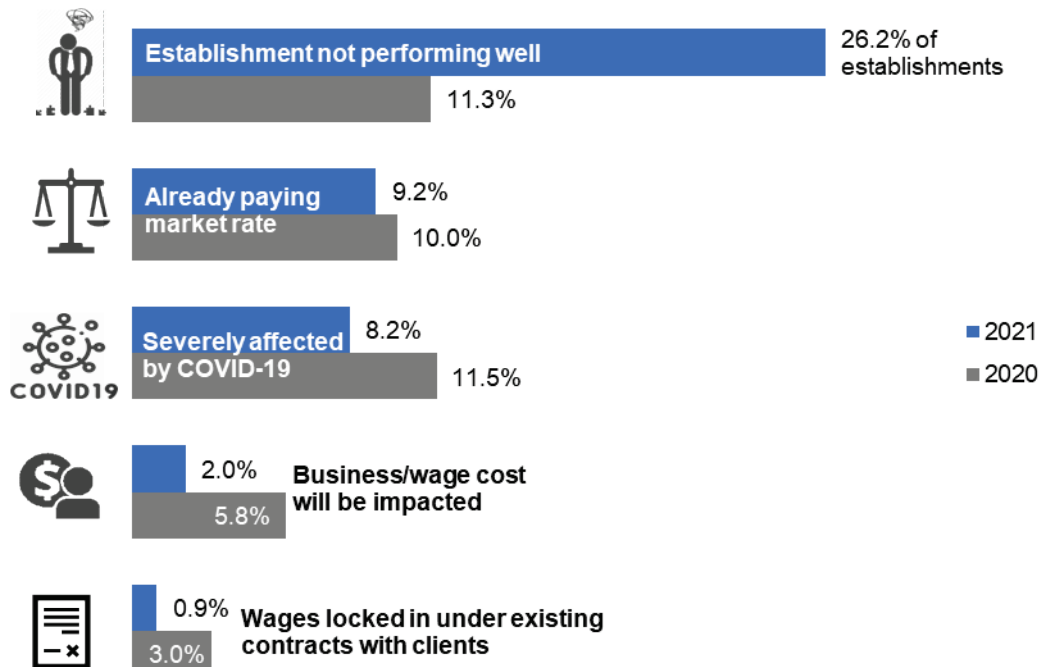


Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Note:

Lower-wage employees refer to employees earning a basic monthly wage of \$1,000 (2013 to 2014)/ \$1,100 (2015 and 2016)/\$1,200 (2017)/\$1,300 (2018)/\$1,400 (2019 and 2020), or gross monthly wage of \$2,000 (2021) and below.

Chart A2: Establishments' top reasons for not giving wage increase to lower-wage employees performing outsourced work, 2021



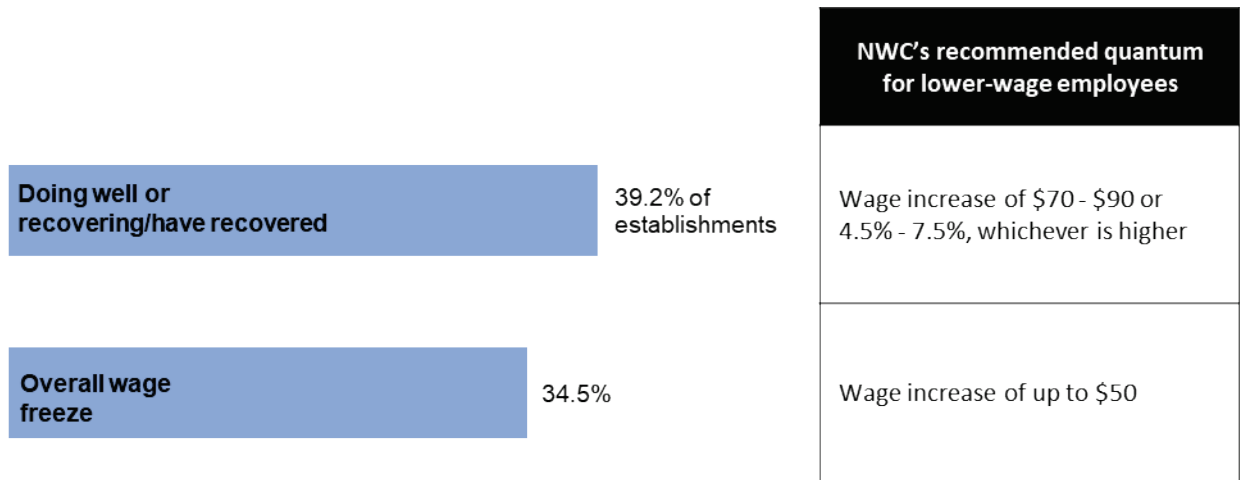
Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:

(1) Lower-wage employees refer to employees earning a gross monthly wage of \$2,000 and below.

(2) Figures for reasons for not providing wage increase to lower-wage employees will not sum up as establishments could choose multiple reasons.

Chart A3: Proportion of establishments which adopted NWC's guidelines for lower-wage employees performing outsourced work, 2021



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:

- (1) Lower-wage employees refer to employees earning a gross monthly wage of \$2,000 and below.
- (2) Data for establishments that implemented an overall wage cut not separately shown due to suppression.

SURVEY COVERAGE AND METHODOLOGY

SURVEY ON ANNUAL WAGE CHANGES, 2021

Introduction

The *Survey on Annual Wage Changes, 2021* was conducted by the Manpower Research and Statistics Department of the Ministry of Manpower under the Statistics Act (Chapter 317). The survey fieldwork was conducted from 18 April 2022 to 29 July 2022.

Objective

The survey was conducted to obtain information on wage changes of lower-wage employees in 2021.

Coverage

The survey covered private sector establishments with at least 10 employees. 5,112 private establishments responded to the survey, yielding a survey response rate of 82%.

The results were weighted to reflect the population of private sector establishments with at least 10 employees by using expansion factors based on sampling fraction.

Methodology

The survey was conducted using online questionnaires. Respondents could submit their returns online, with clarifications made over the phone.

Reference Period

The reference period for the survey was from March 2021 to March 2022.

Data Collected

Establishments were asked if they provided a build-in wage increase to employees earning a gross monthly wage of up to \$2,000, and the quantum given. The information collected pertains to full-time employees on the CPF scheme who had been with the establishment for at least one year as at 31 March 2022.

Analysis

Findings on wage changes of lower-wage employees in the private sector in 2021 is based on private establishments with at least 10 employees.

Classification

The industries of the surveyed establishments were classified according to the Singapore Standard Industrial Classification (SSIC) 2020.

FEEDBACK FORM

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1. How would you rate this report in terms of:

	Excellent	Good	Average	Poor
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