

Report on Wage Practices 2020



MINISTRY OF
MANPOWER

Manpower Research & Statistics Department,
Singapore

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A Great Workforce A Great Workplace

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Contents

	Page
Abbreviations.....	i
Highlights.....	ii
1 Overview.....	1
2 Wage trends in 2020.....	2
3 Wage increases for low-wage employees.....	14
Annex: Survey coverage and methodology.....	A1



Abbreviations

AVC	:	Annual Variable Component
AWS	:	Annual Wage Supplement
CPF	:	Central Provident Fund
MOM	:	Ministry of Manpower
MVC	:	Monthly Variable Component
NWC	:	National Wages Council
RAF	:	Rank-and-File



Highlights

- Impact of COVID-19 on wages was less severe when compared to the 2009 crisis. Cushioned by government measures, wages grew in 2020, although only modestly.
- Harder-hit sectors such as *Accommodation* and *Transportation & Storage* saw wage cuts but some sectors still saw wage growth, albeit a moderated one.
- In 2020, a lower proportion of firms gave wage increases. Similarly, there was a lower share of firms that gave wage increases to low-wage employees.
- Nonetheless, the adoption rate of National Wages Council (NWC) guidelines¹ for low-wage employees² among firms was relatively high at 72.6%, with majority providing a wage increase. Similar trends were noted for establishments with low-wage employees in outsourced work.
- Low-wage employees continued to enjoy a higher basic wage increase than all rank & file workers in 2020.

¹ For low-wage workers earning a basic monthly wage of up to \$1,400, the NWC recommends differentiated treatment:

i. if employers are implementing a policy of wage reduction, then, with respect to such workers, to implement a wage freeze instead.

ii. If employers are implementing a policy of wage freeze or wage increase, then, with respect to such workers, to consider a built-in wage increase of up to \$50 instead.

² In 2020, low-wage employees refer to those earning up to \$1,400 in basic wage.

Overview

This report examines employees' wage changes and establishments' wage practices in 2020. It also includes an analysis of the extent to which employers have adopted the recommendations of the 2020/2021 National Wages Council (NWC). The findings are based on data from the Survey on Annual Wage Changes³ carried out from December 2020 to April 2021. The survey effectively covered 6,469 private establishments each with at least 10 employees, yielding a response rate of 85%. The survey coverage and methodology are explained in Annex.

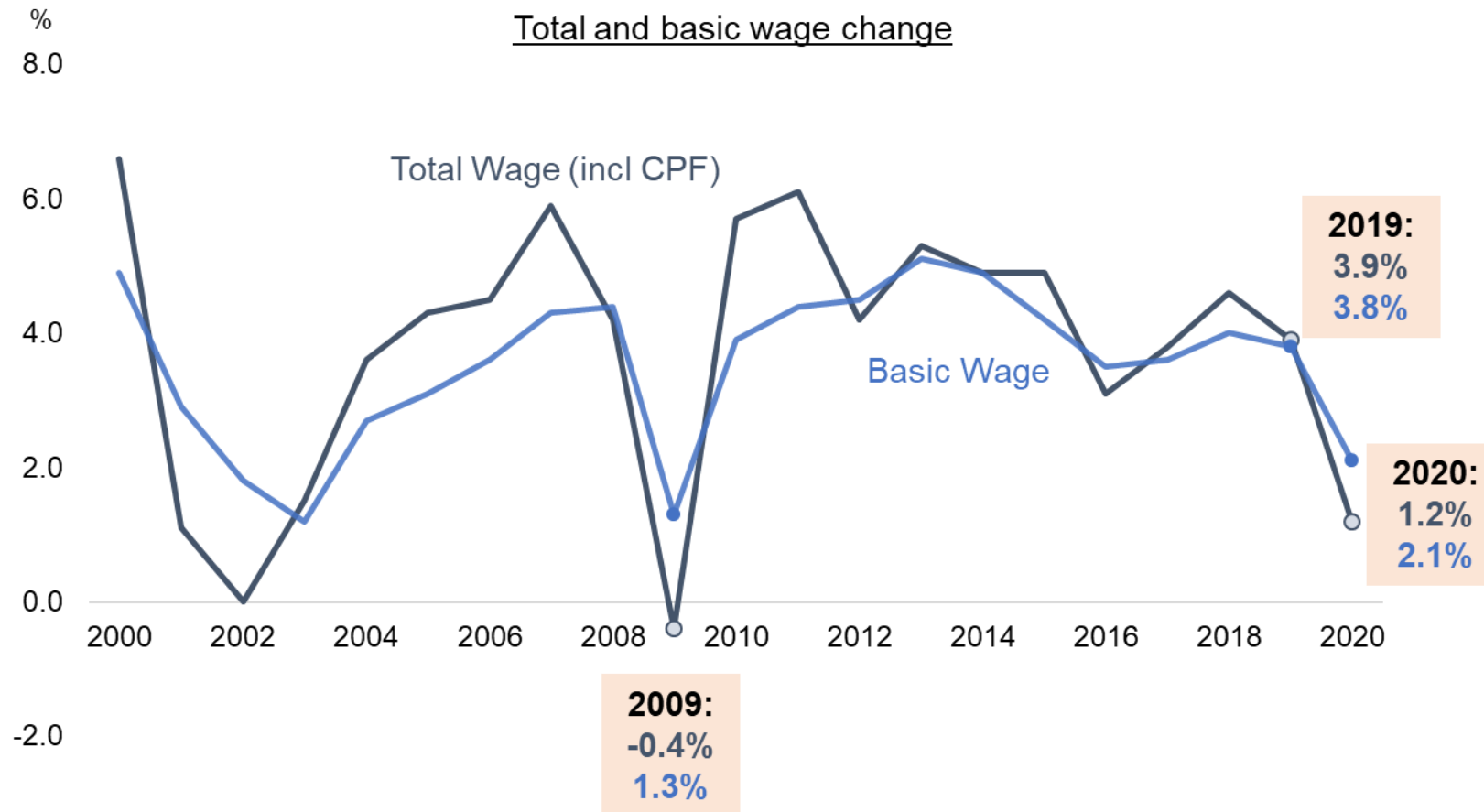
³ Data on annual wage change from the survey refer to the changes in wages paid to full-time resident employees in continuous employment of at least one year. This is the only source that provides breakdown of total wage changes into changes in basic wages and bonuses for three categories of employees, namely the rank-and-file, junior management and senior management..



Wage trends in 2020



Despite the economic downturn in 2020, wages grew, but only modestly

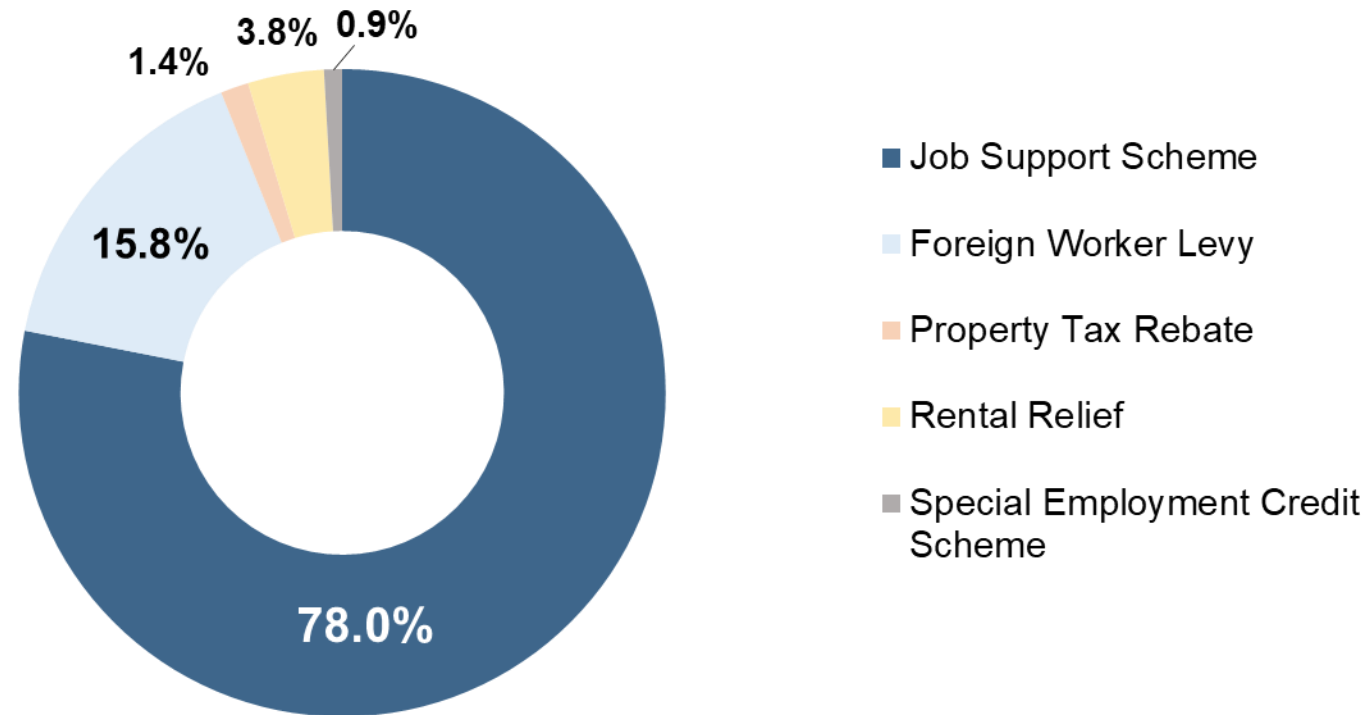


Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM

Note: Figures above refer to nominal wage. Real total and basic wage were 1.4% and 2.3% respectively in 2020.

Government support measures have helped to cushion the impact of the COVID-19 crisis

Most significant measure in influencing wage cuts, 2020



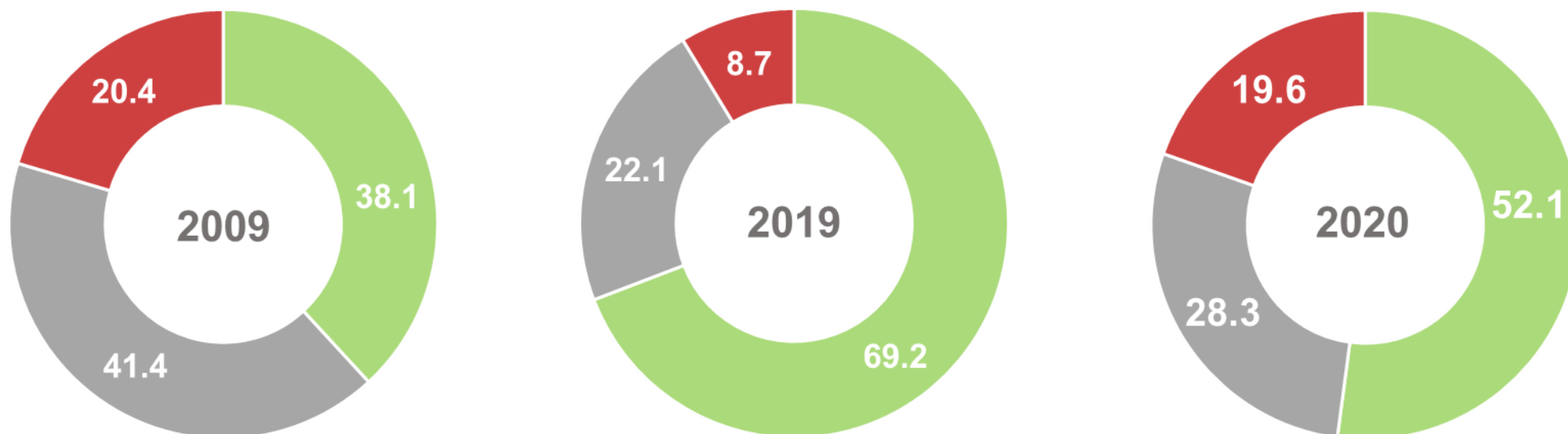
Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



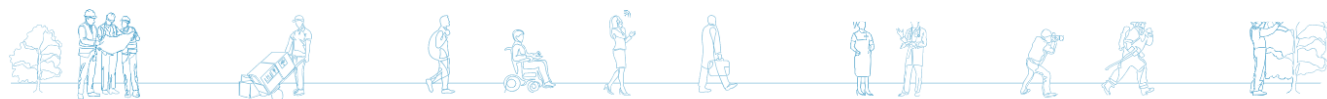
Firms that cut wages remained the minority and more firms increased wages compared to the last crisis in 2009

Distribution of establishments by total wage change (%)

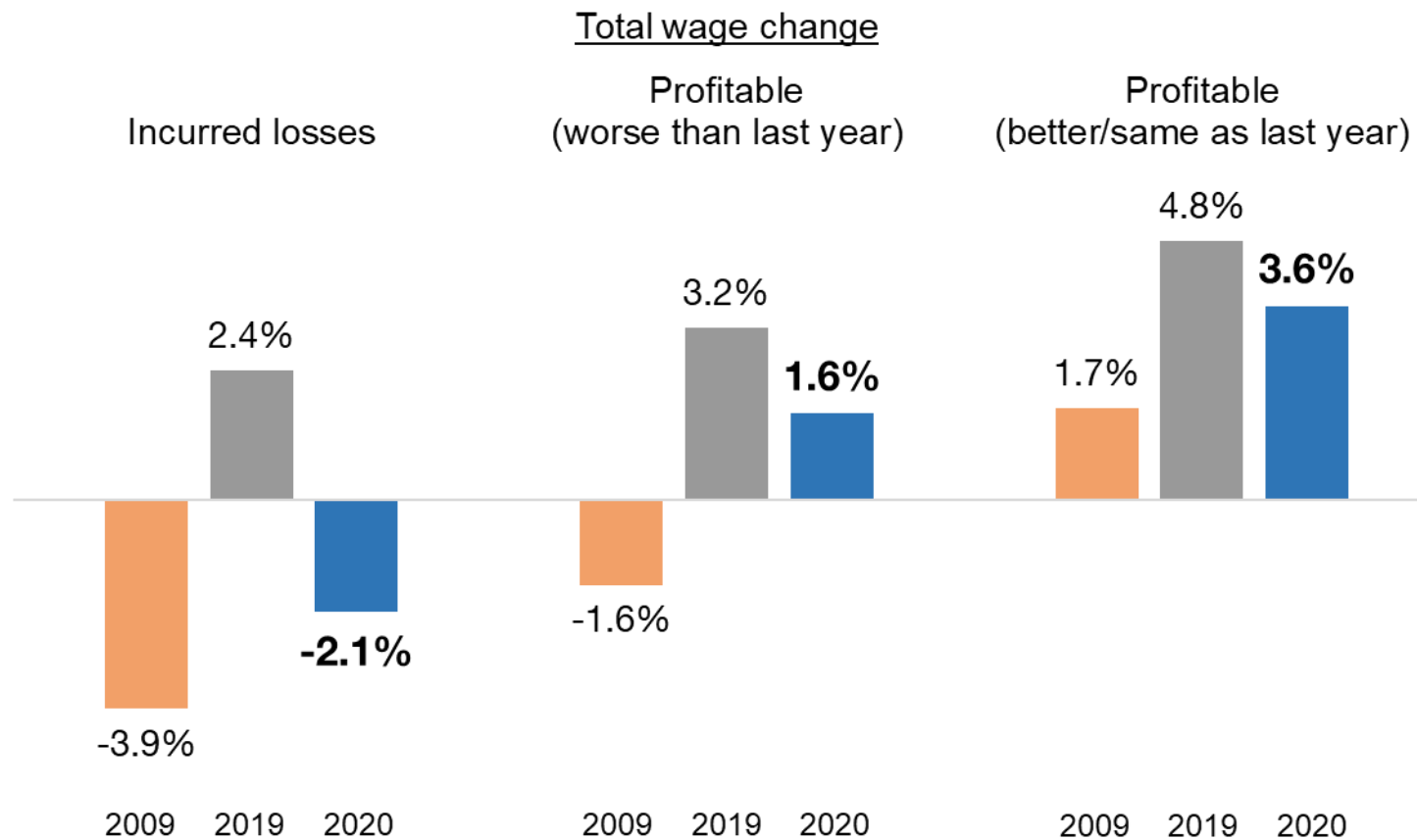
■ Wage Increase ■ Wage Freeze ■ Wage Cut



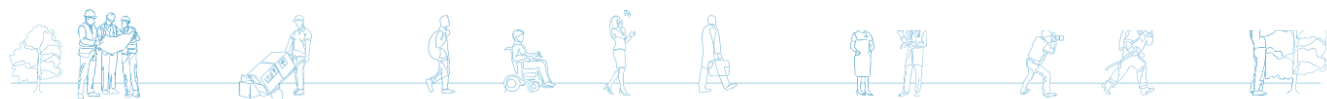
Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



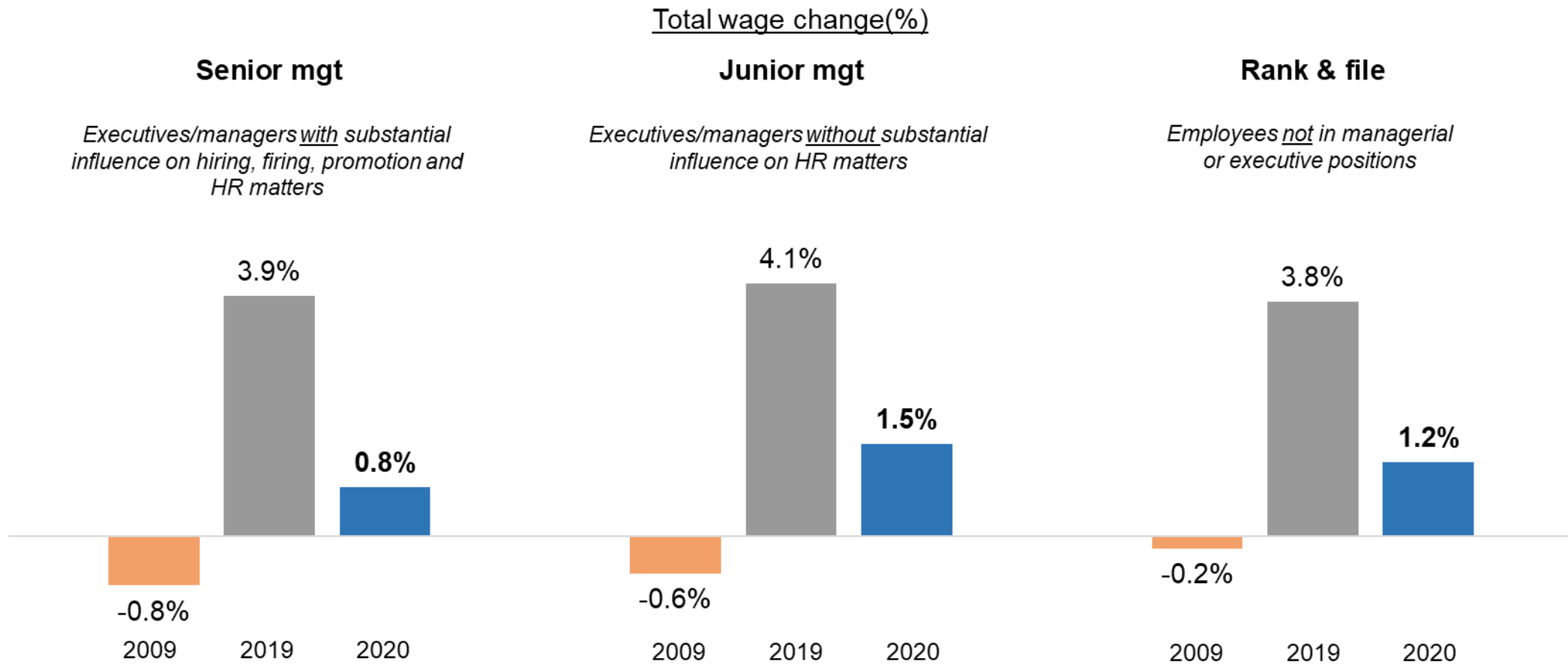
Profitable firms still saw wage increases in 2020, though increases had moderated



Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



Wages also grew across all employees groups in 2020, unlike in 2009

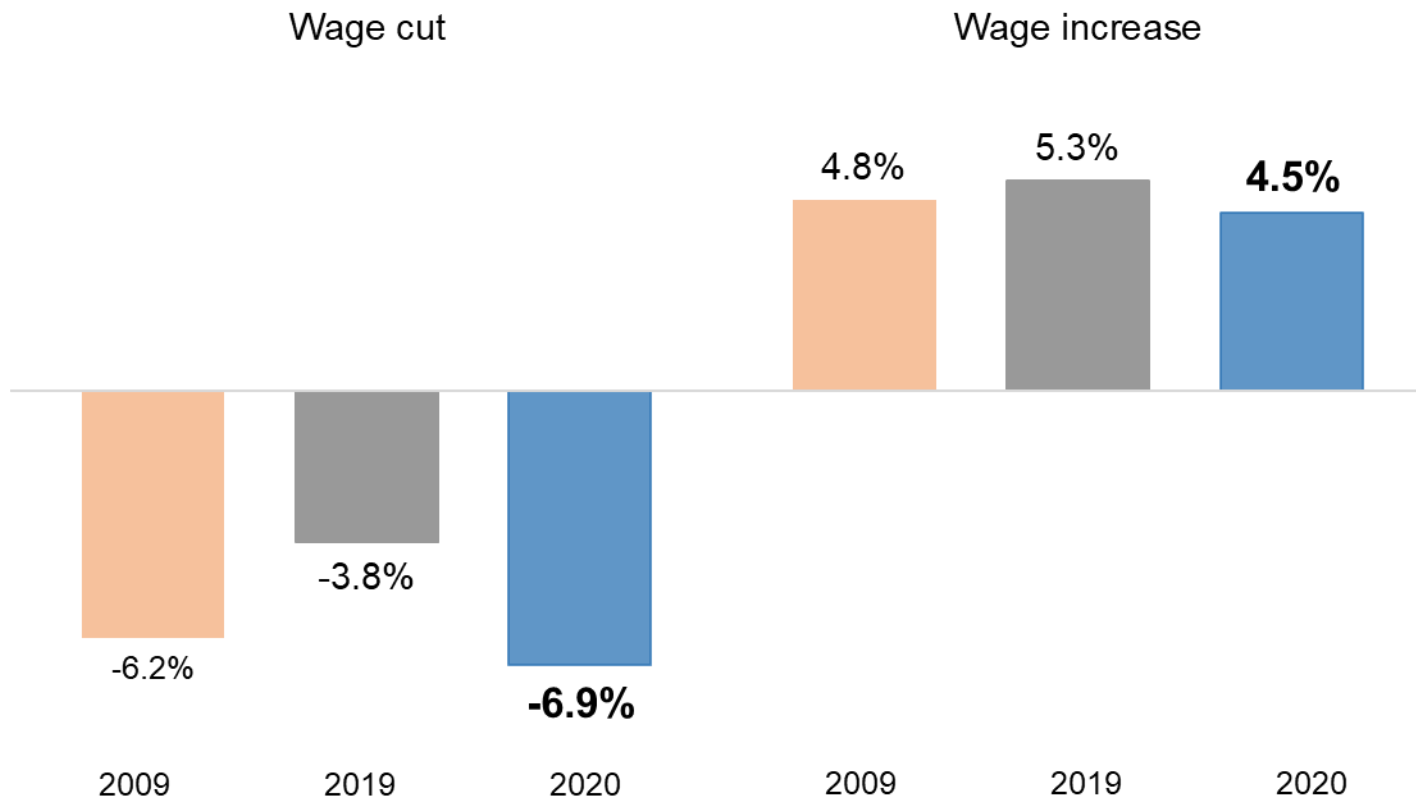


Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



Magnitude of wage cut and wage increase were similar to 2009's Global Financial Crisis

Extent of total wage change among establishments (%)

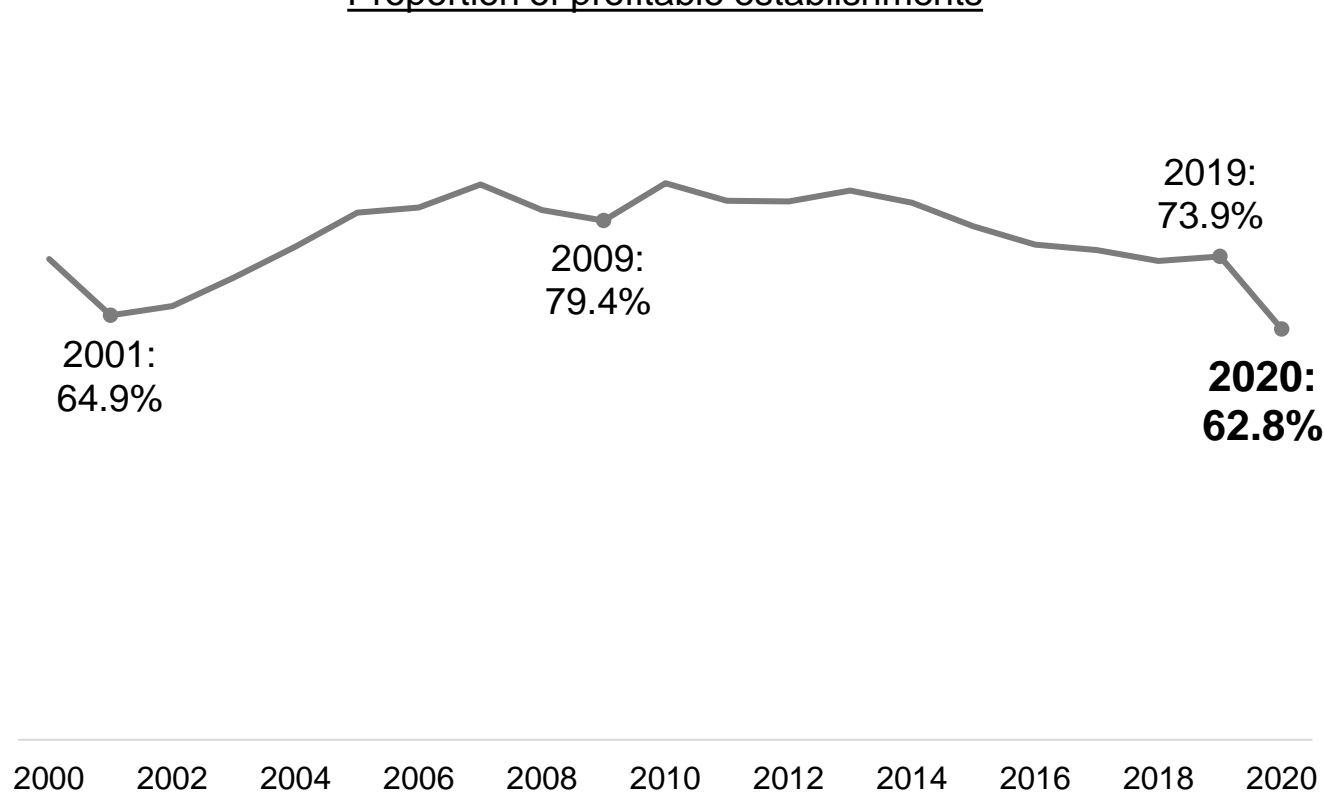


Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



This was despite the sharp contraction of Singapore's economy in 2020, which impacted firms' profitability

Proportion of profitable establishments



Industries with increase



Real Estate



Security & investigation

Industries with steepest decline



Accommodation

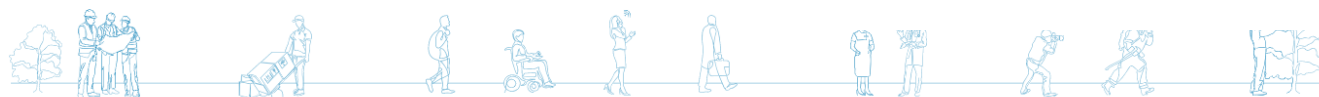


Community, social & personal services



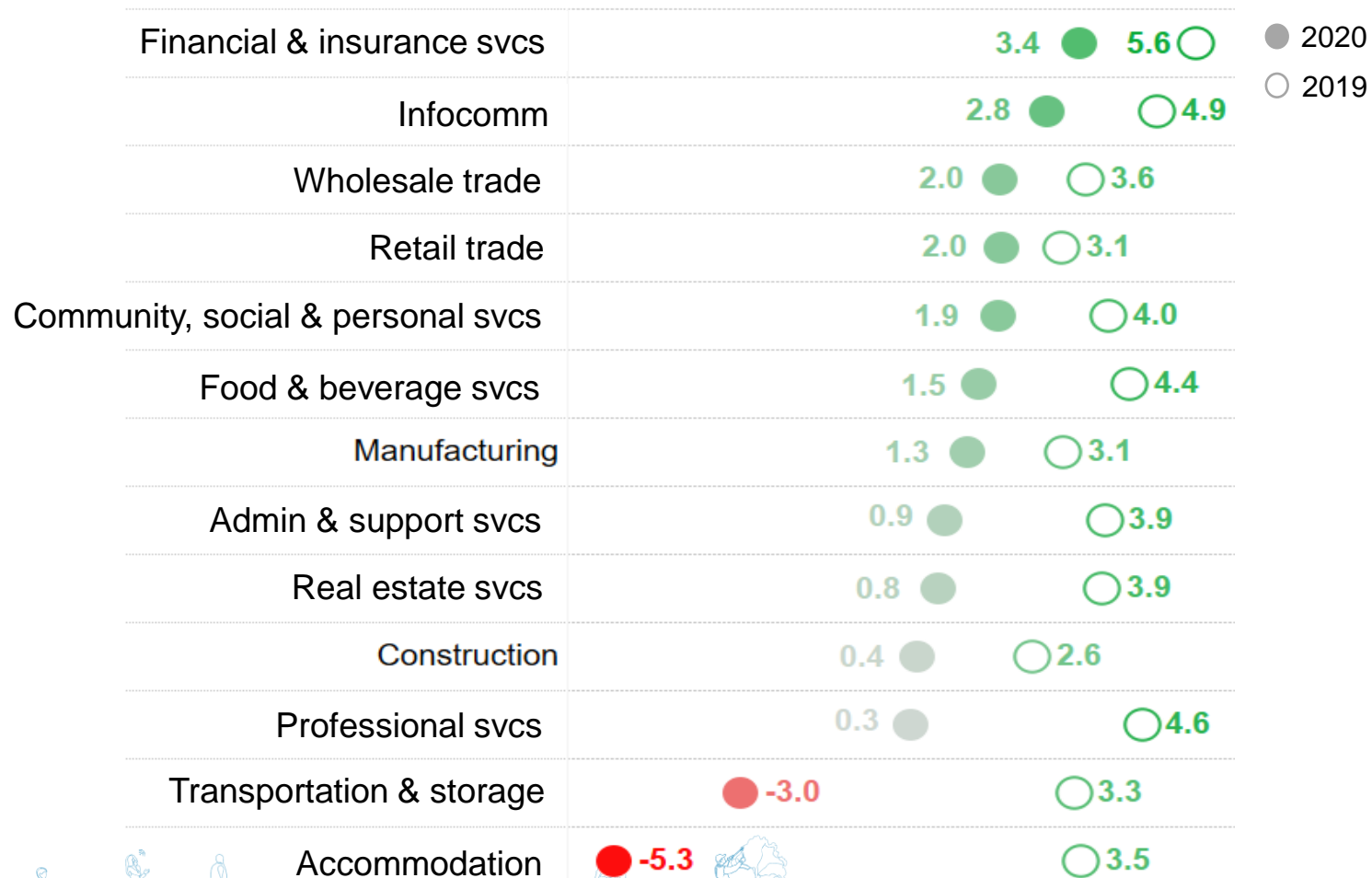
Rental & leasing activities

Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM

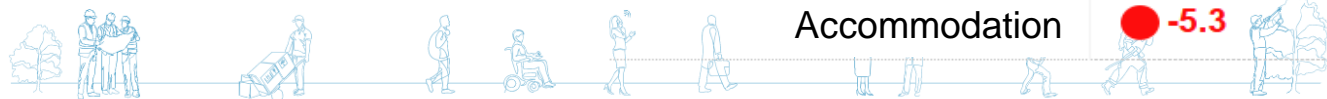


Harder-hit sectors saw wage cuts. Wages in other sectors continued to grow, although at a slower pace

Total wage change by industry (%)

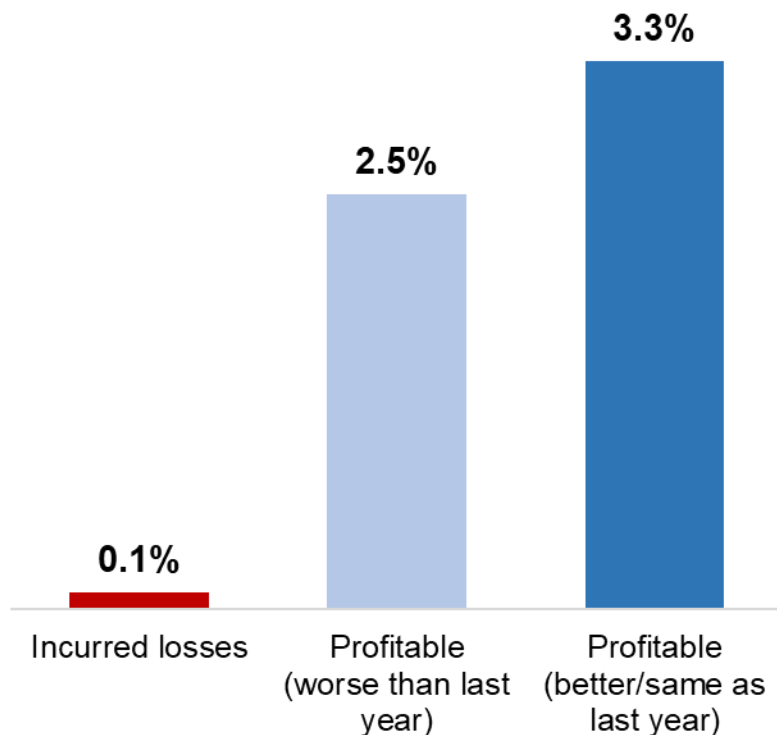


Source: Annual Wage Change Survey,
Manpower Research & Statistics Department,
MOM

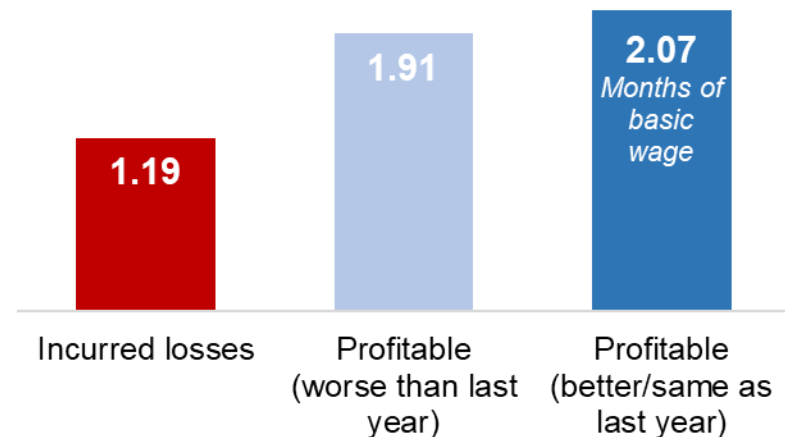


Akin to past years, wage changes and bonuses remained highest among profitable firms

Basic wage change (%), 2020



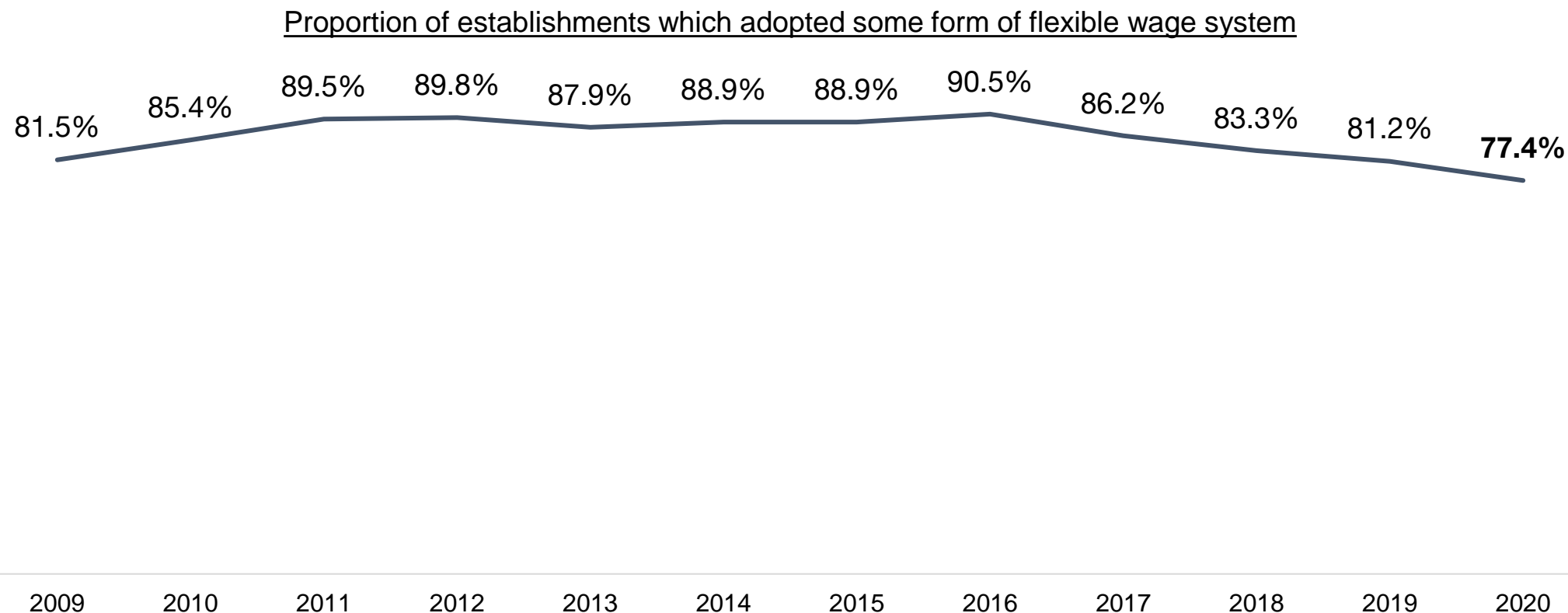
Annual variable component, 2020



Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



While majority of estabs adopted some form of flexible wage system, there was a decline as less had the practice of providing annual wage supplement or variable bonus



Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM

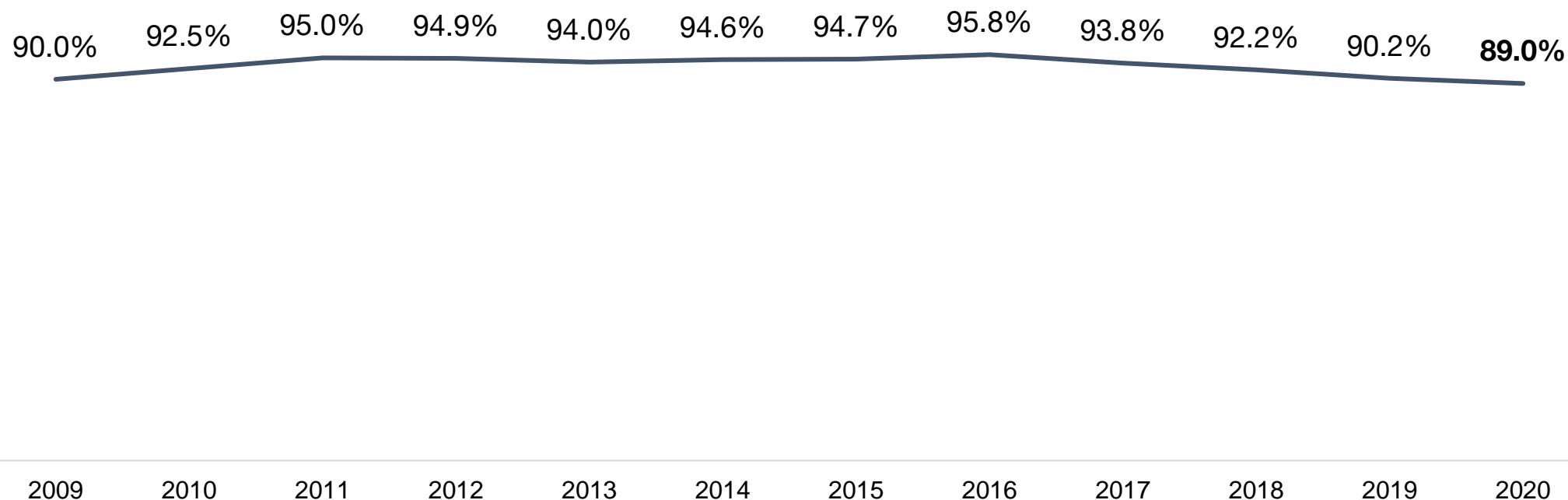
Notes:

- (1) The overall proportion of establishments which adopted some form of flexible wage system refer to those who had adopted either the monthly variable component (MVC) or annual variable component (AVC).
- (2) Data pertain to private sector establishments each with at least 25 employees.



Similarly, majority of employees were in estabs that had adopted some form of flexible wage system

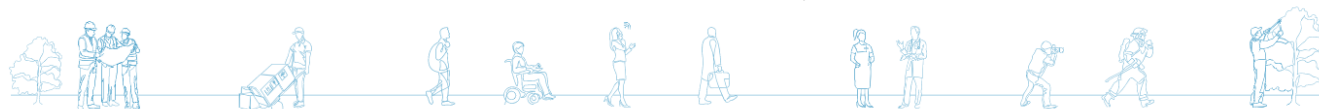
Proportion of employees in establishments which adopted some form of flexible wage system



Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM

Notes:

- (1) The overall proportion of establishments which adopted some form of flexible wage system refer to those who had adopted either the monthly variable component (MVC) or annual variable component (AVC).
- (2) Data pertain to private sector establishments each with at least 25 employees.

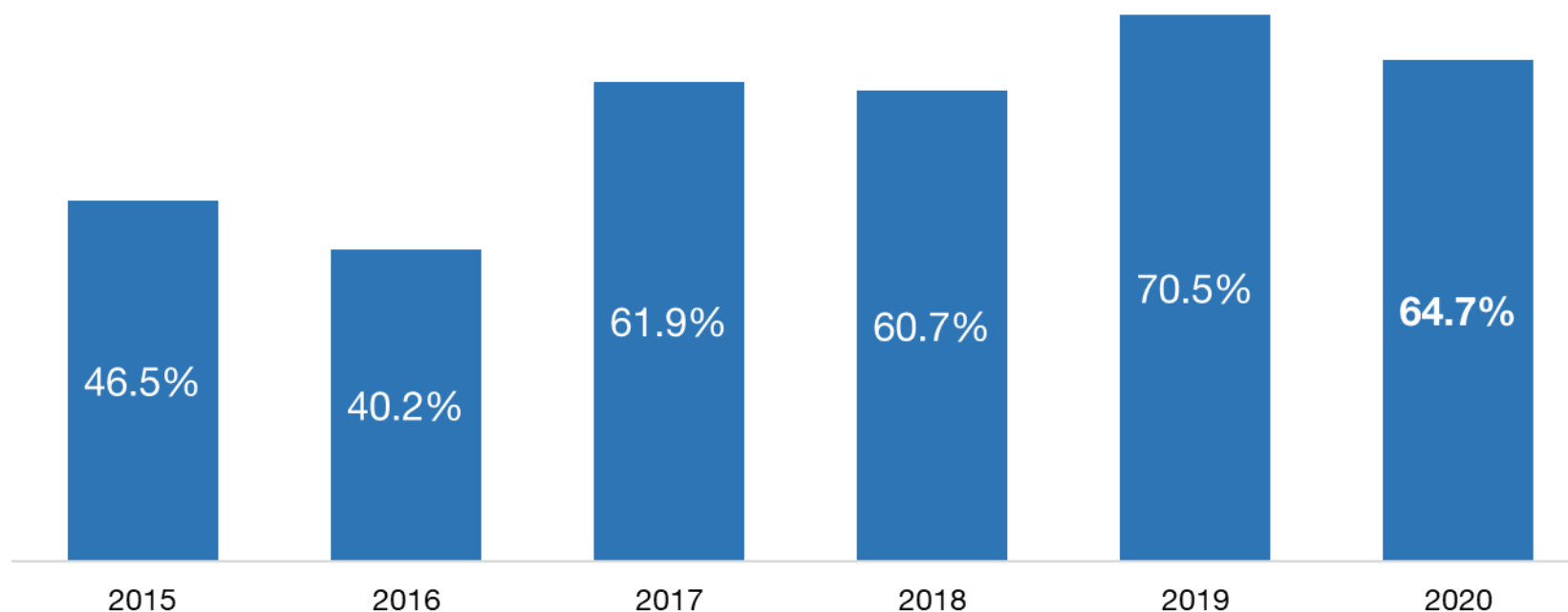


Wage increases for low-wage employees



Amidst the downturn, fewer firms gave wage increases to low-wage employees in 2020

Proportion of establishments that gave wage increases to low-wage employees

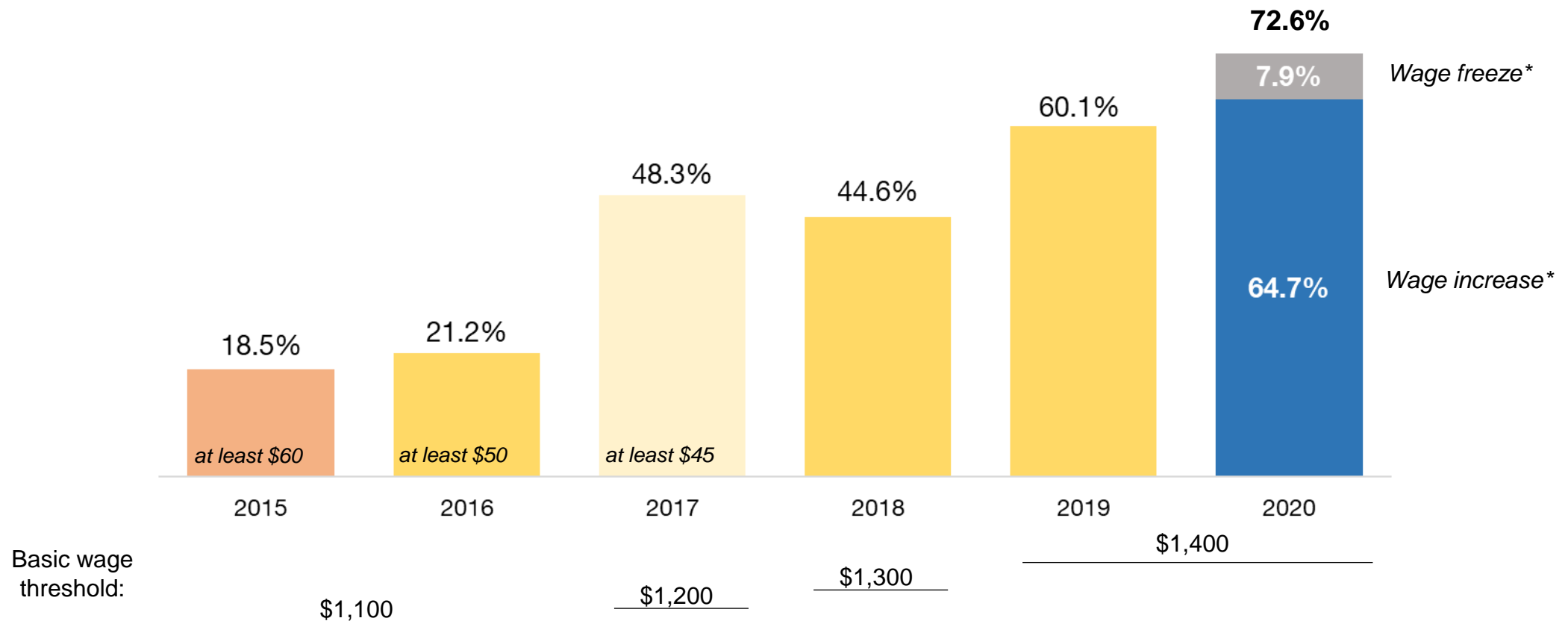


Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



But adoption rates of NWC's quantitative guidelines remained high

Proportion of establishments which adopted NWC guidelines for low-wage employees

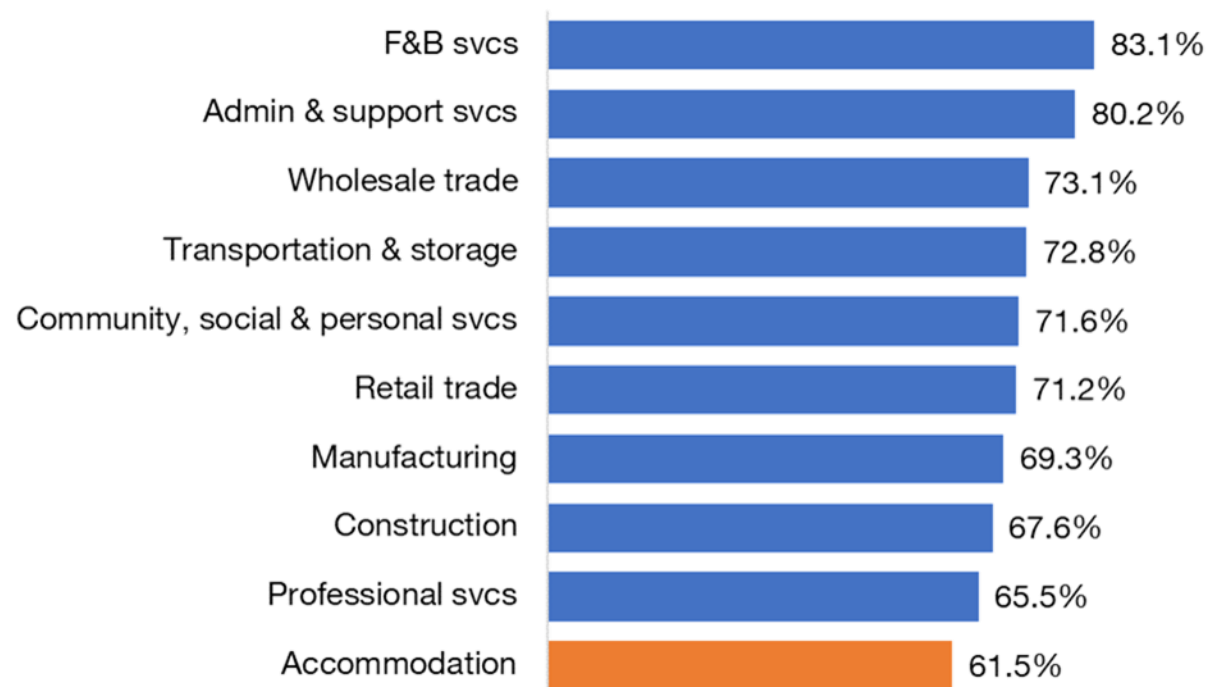


Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM

* (i) Employers that were to implement wage increase or freeze to give low-wage employees wage increases of up to \$50 instead,
(ii) Employers that were to implement wage cuts to freeze low-wage employees' wages instead.

Compared to 2019, adoption rates were higher across industries. It was lowest in accommodation which was badly affected by COVID-19

Establishments' adoption rates of NWC's guidelines for low wage employees in 2020



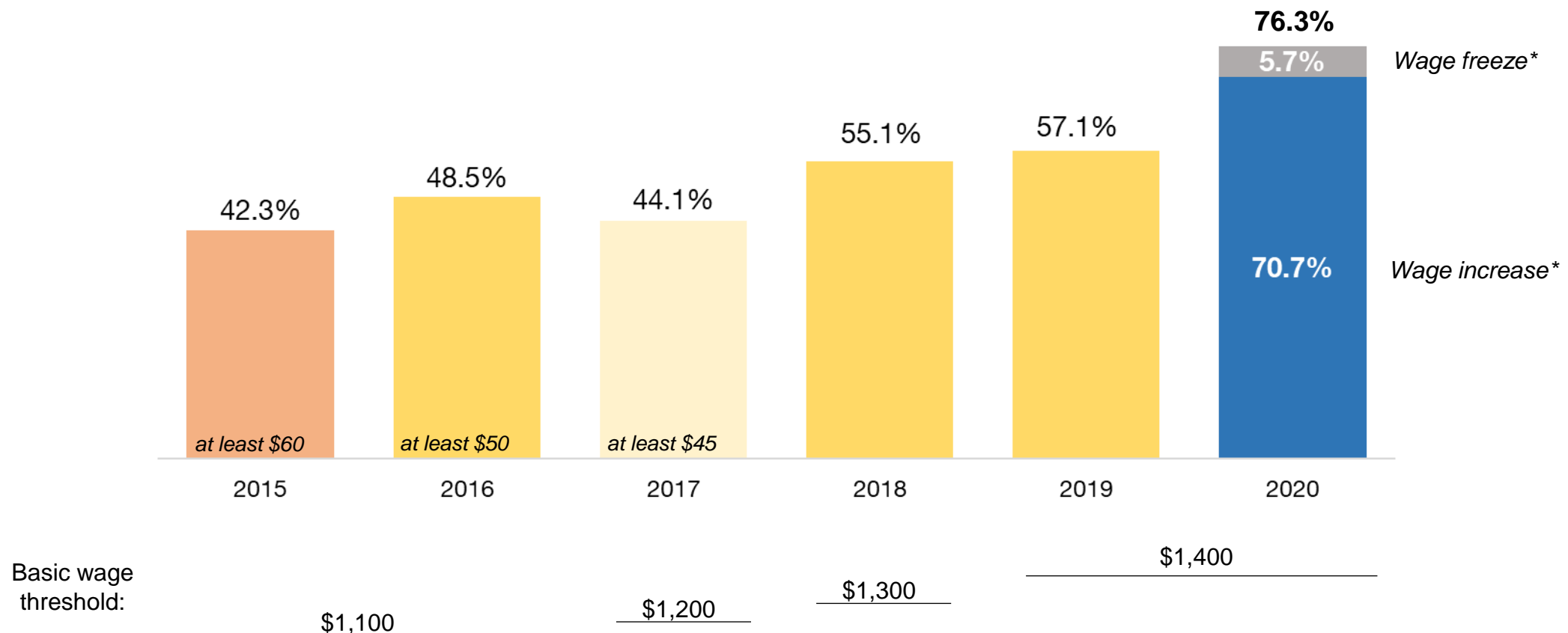
Note: Data for financial & insurance services, real estate services and information & communications are not separately shown due to data suppression.

Source: Annual Wage Change Survey,
Manpower Research & Statistics Department,
MOM



A higher proportion of firms adopted NWC guidelines for their outsourced employees in 2020 as well

Proportion of establishments which adopted NWC guidelines for low wage (outsourced employees)

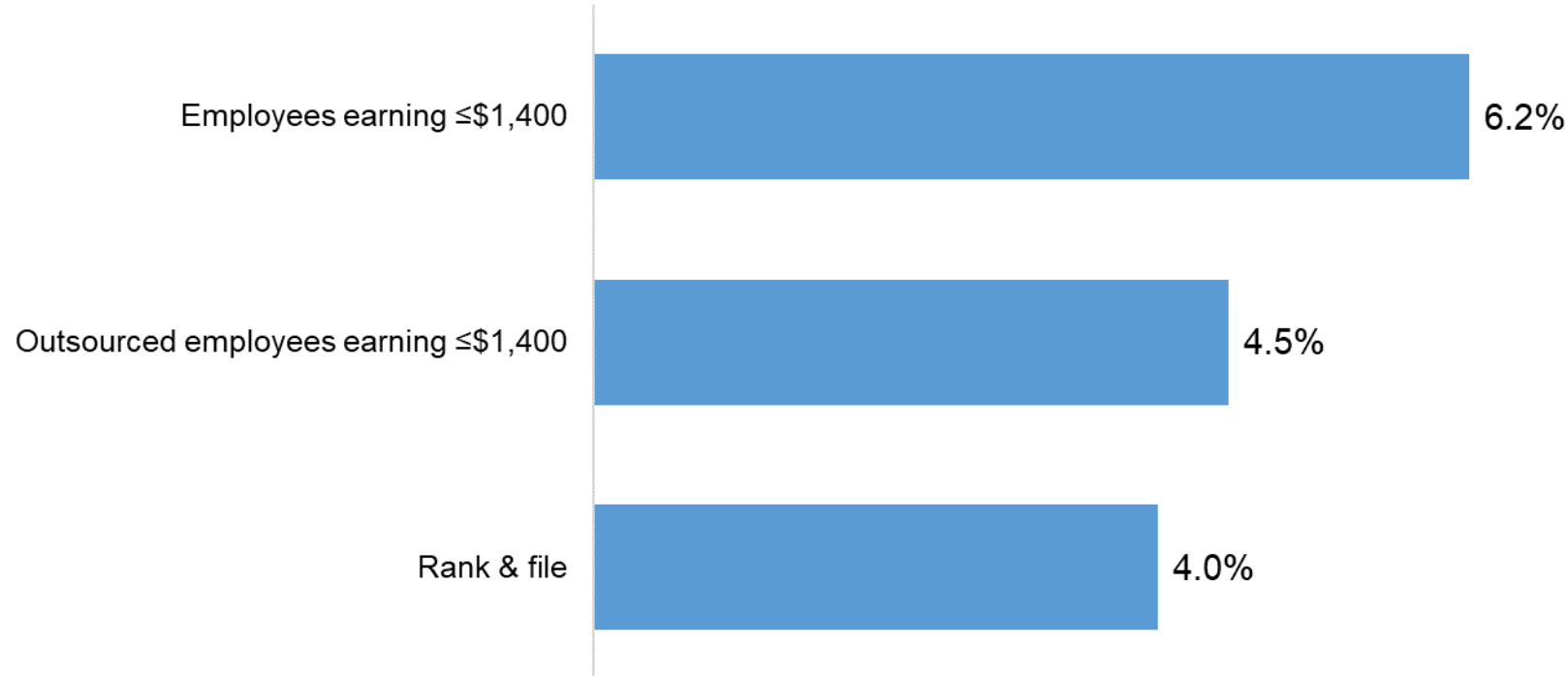


Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM

* (i) Employers that were to implement wage increase or freeze to give low-wage employees wage increases of up to \$50 instead,
(ii) Employers that were to implement wage cuts to freeze low-wage employees' wages instead.

Low wage employees enjoyed a higher basic wage increase than rank & file workers

Quantum of built-in wage increase for rank & file and low wage employees, 2020



Source: Annual Wage Change Survey, Manpower Research & Statistics Department, MOM



Annex: Survey coverage and methodology

Survey on Annual Wage Changes, 2020

Introduction

The *Survey on Annual Wage Changes, 2020* 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 December 2020 to 24 April 2021.

Objective

The survey was conducted to obtain information on the extent of wage changes in 2020.

Coverage

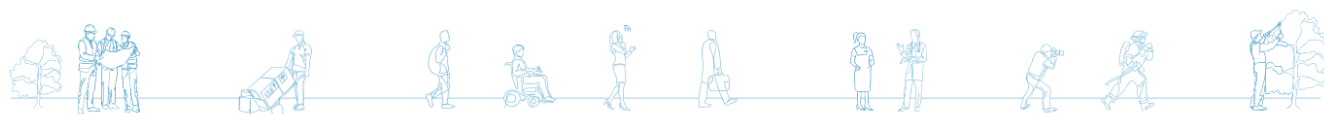
The survey covered private sector establishments with at least 10 employees. Some 5,031 private establishments responded to the survey. These establishments employed 1,128,300 employees which included 603,800 resident full-time employees on the Central Provident Fund (CPF) scheme with at least 1 year in service (comprising 265,700 rank-and-file employees, 237,100 junior and 101,000 senior management staff) and 361,400 non-resident employees. Resident full-time employees with less than a year of service, or on part-time formed the remaining 163,100. The survey response rate was 85%. 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 November 2019 to November 2020.



Annex: Survey coverage and methodology

Survey on Annual Wage Changes, 2020

Data Collected

The establishments were asked to provide information on the average basic wage change, Annual Wage Supplement (AWS) and Variable Bonus (VB) to employees in 2020. 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 30 November 2020.

Since 2012, additional questions were asked to determine whether establishments gave a built-in wage increase to employees earning a monthly basic wage of up to \$1,000 and the quantum given. From 2015 onwards, similar questions were asked but the basic wage level was raised to \$1,100 and coverage was extended to include outsourced workers. The basic wage level was raised to \$1,200 in 2017, \$1,300 in 2018 and \$1,400 in 2019.

Analysis

Findings on the extent of wage changes in private sector in 2020 is based on private establishments with at least 10 employees. Unless otherwise stated, all data on annual variable component are based on data collected in the reference year. The analysis on wage restructuring is based on private establishments with at least 25 employees, unless otherwise specified.

Classification

The industries of the surveyed establishments were classified according to the Singapore Standard Industrial Classification (SSIC) 2015.



Annex: Survey coverage and methodology

Survey on Annual Wage Changes, 2020

Reliability of Data

In a sample survey, inferences about the target population are drawn from the data collected from the sample. Errors due to extension of the conclusions based on one sample to the entire population are known as sampling errors. The sampling error of an estimate is the extent of variation between the estimated value obtained from a sample and the true value from the population. Factors influencing the sampling error include the sample size, the sample design, method of estimation, the variability of the population and the characteristics studied. A common measure of the sampling error of an estimate is its standard error, which is a measure of the variation among the estimates derived from all possible samples. An alternative measure is the relative standard error of an estimate which indicates the standard error relative to the magnitude of the estimate. A sample estimate and an estimate of its standard error can be used to construct an interval that will, at specified levels of confidence, include the true value. By statistical convention, the confidence level has been set at 95 per cent.



Annex: Survey coverage and methodology

Survey on Annual Wage Changes, 2020

Reliability of Data

Estimates of the sampling variability of selected indicators are as follows:

	Estimate	Standard Error	Relative Standard Error (%)	95% Confidence Interval	
				Lower	Upper
Total Wage Change (Incl employer CPF)^	1.2%	0.07%-pt	6.2%	1.1%	1.4%
Total Wage Change (Excl employer CPF)^	1.2%	0.07%-pt	6.2%	1.1%	1.4%
Basic Wage Change^	2.1%	0.05%-pt	2.4%	2.0%	2.2%
Variable Component^ (months of basic wage)	1.79	0.01	0.69%	1.77	1.82

Note:

^ Wage growth pertains to wage increases granted by private sector establishments (with at least 10 employees) to full-time employees on CPF Scheme who were in continuous employment for at least a year.



Annex: Survey coverage and methodology

Survey on Annual Wage Changes, 2020

Reliability of Data

Estimates of the sampling variability of selected indicators are as follows:

	Estimate	Standard Error	Relative Standard Error (%)	95% Confidence Interval	
				Lower	Upper
Proportion of establishments with employees earning up to \$1,400 that gave/intended to give basic wage increase to these employees* (%)	64.7%	1.6%-pt	2.5%	61.5%	67.9%
Proportion of establishments which adopted some form of flexible wage system (FWS)#	77.4%	0.8%-pt	1.0%	75.8%	79.0%
Proportion of employees in establishments which adopted some form of flexible wage system (FWS)#	89.0%	0.3%-pt	0.4%	88.4%	89.7%

Notes:

* Quantum of basic wage increase is available. Data includes establishments that had given other forms of basic wage increase.

This refers to those who had adopted either the monthly variable component (MVC) or annual variable component (AVC).



Annex: Survey coverage and methodology

Survey on Annual Wage Changes, 2020

Concepts and Definitions

Rank-and-File Employees:	This includes employees who are in technical, clerical, sales, service, production, transport, cleaning and related positions. They are not employees in managerial or executive positions.
Basic Wage:	This refers to the total basic pay before deduction of the employees' CPF contributions and personal income tax. It excludes employers' CPF contributions, bonuses, overtime payments, commissions, allowances (e.g. shift, food, housing and transport), other monetary payments and payments-in-kind.
Annual Wage Supplement (AWS):	This refers to the annual payment usually made at year-end and is commonly known as the 13th month allowance.
Variable Bonus (VB):	This refers to the payment given in addition to the AWS. It includes incentive payments and 'ang pows', but excludes AWS. The variable bonus is usually linked to company and/or individual performance and may vary from year to year. It may be paid in a lump sum or divided into several payments over the year; in which case the several payments should be added together.
Annual Variable Component:	This usually consists of 2 components i.e. AWS, and VB. Generally, the annual variable component is linked to company's profitability.



Annex: Survey coverage and methodology

Survey on Annual Wage Changes, 2020

Concepts and Definitions

Monthly Variable Component (MVC): This refers to the component of monthly basic wage that can be adjusted easily and quickly to meet changing business conditions. It should attract CPF, overtime pay, allowances, etc. The MVC can be built-up through wage increase or 'hived-off' from basic wage. Establishments can also implement a cut in basic wage by reducing MVC.

Employees earning \$1,400 and below: This generally refers to employees who earned a monthly basic wage of \$1,400 or less on a full-time basis in 2020.

Formulae

Basic Wage Change in 2020=
$$\frac{\text{End 2020 Basic Wage} - \text{End 2019 Basic Wage}}{\text{End 2019 Basic Wage}} \times 100\%$$

Total Wage Change in 2020=
$$\frac{\text{2020 Total Wage} - \text{2019 Total Wage}}{\text{2019 Total Wage}} \times 100\%$$

Where Total Wage = Annual Basic Wage + Annual Variable Component (i.e. Annual Wage Supplement and Variable Bonus)

