

B.9 NATIONAL WAGES COUNCIL (NWC) 2019/2020 GUIDELINES

PART 1 – TRAINING AND WAGE RECOMMENDATIONS

1 The National Wages Council (NWC) convened in April and May 2019 to formulate wage guidelines for the period from 1 July 2019 to 30 June 2020.

2 The NWC reviewed Singapore's economic performance in 2018. It noted that the economy grew by 3.1%, with healthy labour productivity gains of 2.4%.¹ Labour market conditions improved, with overall employment rising, and unemployment and retrenchments falling.²

3 Most employees continued to work in establishments with some form of flexible wage system, which allows employers to adjust wage costs responsively and sustainably while remaining competitive. In 2018, both real basic wage and real total wage grew faster than in 2017 and more than productivity. However, real basic wage rose at a more modest pace (from 3.0% to 3.6%) than real total wage growth (from 3.2% to 4.2%), suggesting that employers have directed more of the wage increases towards variable components.

4 The NWC reviewed the trends in workforce training, and noted that the training participation rate of the resident labour force has been increasing since 2011, reaching 48.0% in 2018.³ However, there is scope for employers to do more for employees' training. The NWC noted that the proportion of employers that provided structured training for their employees has not improved over the past decade, and the proportion of employees receiving structured training in training-providing establishments has remained largely constant in the same period, at around 56-57%.⁴ The NWC also noted that the proportion of employers providing structured training was lower in some sectors and amongst smaller firms.⁵

5 The NWC considered the Ministry of Trade & Industry's assessment that the Singapore economy is likely to see slower growth of 1.5% to 2.5% in 2019, compared to the 3.1% achieved in 2018, amidst a weakening of the global growth outlook even as uncertainties and downside risks remain.

¹ In 2018, value-added per worker and value-added per actual hour worked grew by 2.4% and 3.6% respectively.

² The resident unemployment rate fell from 3.1% in 2017 to 2.9% in 2018. The long-term unemployment rate also fell from 0.8% in 2017 to 0.7% in 2018. Local employment growth in 2018 was 27,400 compared to 21,300 in 2017. Local retrenchments declined over the year, from 9,120 in 2017 to 7,070 in 2018.

³ Based on MOM's annual Adult Training Survey. Training participation rate is defined as the proportion of residents aged 15 to 64 in the labour force who had engaged in some form of job-related structured training or education activities over the 12-month period ending June.

⁴ Based on MOM's biennial Employer Supported Training Survey. Structured training includes classroom training, private lessons, workshops, structured on the job training, apprenticeships, e-learning, work-learn programmes (e.g., SkillsFuture Earn and Learn Programme) and mandatory courses.

⁵ In 2016, the proportion of employers with workforce sizes of less than 100 employees that provided structured training (67.2%), as well as employers in the Wholesale & Retail Trade (58.5%), Transport & Storage (59.0%), Food Services (60.6%), Information & Communication (69.0%) and Community, Social & Personal Services (70.0%) sectors that provided structured training, were lower compared to the overall proportion of employers that provided structured training (73.0%).

Training Recommendations

6 The NWC affirms that wage growth must be supported by productivity growth, based on business transformation and reskilling of the workforce. Hence, the NWC recommends that:

- a) All employers offer structured training for their employees. To do so, all employers should develop a training plan that meets their current and future requirements, drawing reference from industry standards as outlined in the Skills Frameworks, where applicable. Employers may seek the assistance of Singapore National Employers Federation (SNEF), Singapore Business Federation (SBF), Trade Associations & Chambers (TACs) and the unions to develop their training plan. To implement their training plan, employers may tap on the wide range of SkillsFuture and Adapt & Grow programmes available to provide training for their employees.
- b) Employers should continue to innovate and implement productivity initiatives, and work towards better wages and skills. They should:
 - i. Redesign jobs and train their employees to take on these jobs.
 - ii. Invest in training all employees in emerging skills. This includes those at risk of redundancy, to make sure that they continue to be employable.
 - iii. Leverage government schemes such as the Enterprise Development Grant (EDG).
- c) Unionised companies and NTUC-e2i partners should work with unions to establish Company Training Committees and build up their in-house workplace learning capabilities, so that employees can continue to keep up with the pace of transformation at work.

Wage Recommendations for All Workers

7 The NWC reaffirms that wage increases will need to be sustainable and fair. They should be commensurate with the employers' performance, productivity gains and employees' contributions. Hence, the NWC recommends that:

- a) **Employers that have done well and have good business prospects should reward their employees with built-in wage increases and variable payments commensurate with the employers' performance and employees' contributions.**
- b) **Employers that have done well but face uncertain prospects may exercise moderation in built-in wage increases, but should still reward employees with variable payments commensurate with the employers' performance and employees' contributions.**
- c) **Employers that have not done well and face uncertain prospects may exercise wage restraint, with management leading by example. These employers should make greater efforts to improve business processes and productivity, especially by investing in upskilling their employees.**

8 The NWC notes that productivity growth moderated to 2.4% in 2018 from 3.9% in 2017. However, the NWC believes that it is important to continue to encourage employers and employees to increase productivity. **The NWC therefore recommends all employers that achieved productivity improvements in 2018 to share the gains with employees through a one-off payment.**

Wage Recommendations for Low-Wage Workers

9 To give low-wage workers a higher percentage built-in wage increase, the NWC recommends that employers grant low-wage workers a built-in wage increase in the form of a dollar quantum and a percentage.

10 The proportion of full-time resident employees earning a basic monthly wage of up to \$1,300 is estimated to have decreased from 9.2% in 2017 to 7.9% in 2018. To cover more employees within the quantitative guidelines, **the NWC will raise the basic wage threshold from \$1,300 to \$1,400.** The NWC recommends that:

- a) Employers grant a built-in wage increase of \$50 to \$70 to low-wage workers earning a basic monthly wage of up to \$1,400.
- b) Employers that achieved productivity gains in 2018 provide a one-off payment of \$200 to \$360 to low-wage workers earning a basic monthly wage of up to \$1,400.
- c) Employers grant a reasonable wage increase and/or one-off lump sum based on skills and productivity to low-wage workers earning more than \$1,400.

Implementation of Recommendations

11 **These guidelines apply to all employees – professionals, managers, executives, technicians and rank-and-file employees, in unionised and non-unionised firms, in both the public and private sectors. They also apply to re-employed employees.**

12 To facilitate wage negotiation, employers should share relevant information, such as company wage information, business performance and prospects, with unions.

13 The NWC encourages employers that encounter difficulties in implementing the guidelines to work with the employers' associations and unions, to address the issues.

PART 2 – RECOMMENDATIONS ON FAIR AND PROGRESSIVE PRACTICES

1 The NWC calls on companies to continue to adopt fair and progressive contracting and employment practices.

Low-Wage Workers in Outsourced Work

2 The NWC is heartened that more private establishments performing outsourced work adopted the quantitative guidelines for low-wage workers last year.¹ The NWC notes the Government’s strong support for best sourcing practices, and urges other service buyers to do the same.

3 Buyers of outsourced services (“service buyers”) should:

- a) Adopt outcome-based contracting by specifying service-level requirements rather than headcount.
- b) Allow contract values to be adjusted if necessary, so that service providers can provide for annual wage adjustments and the Annual Wage Supplement (AWS).

4 Providers of outsourced services (“service providers”) should:

- a) Factor in NWC wage recommendations in their bid prices, including for multi-year contracts.
- b) Factor in the annual wage adjustments and the AWS for workers into new contracts.
- c) Engage service buyers to improve outsourced workers’ wages and benefits when employment contracts are offered or renewed.

5 Both service buyers and service providers should:

- a) Recognise the lengths of service, experience and performance of incumbent workers when renewing or taking over their contracts.
- b) Avoid a “reset” of wages and benefits for outsourced workers who perform the same job functions when service providers are changed.
- c) Improve the work environment of low-wage workers, starting with making available proper and reasonable rest areas for outsourced workers to facilitate rest.

¹ The proportion of private establishments performing outsourced work that adopted the NWC quantitative guidelines increased from 44% in 2017 to 55% in 2018. For employers who did not provide wage increases, the top reason was because their firms were not performing well.

Progressive Wage Model (PWM)

6 The NWC supports the tripartite efforts in advancing the Government-enforced PWM in the cleaning, security and landscape maintenance sectors. In particular, the NWC supports the recommendations of the tripartite clusters to introduce scheduled increases to basic wage levels for the three PWMs.² A mandatory PWM bonus of at least two weeks of basic monthly wages was also introduced for eligible cleaners and landscape maintenance employees from 2020. The PWM ladders in these three sectors have led to positive real wage growth.³

7 The NWC notes that the Lift and Escalator Sectoral Tripartite Committee released its recommendations in September 2018 for a PWM in the lift industry. The NWC strongly urges employers in other sectors to follow suit to adopt the principles of progressive wages and skills, and provide clear progression pathways for their workers.

Employment of Seniors

8 The NWC notes that the Tripartite Workgroup on Older Workers has come to a consensus that the retirement age remains relevant and should go up beyond 62; the re-employment age remains relevant and should go up beyond 67; and both should be raised in small steps over time.

9 The NWC further notes that notwithstanding Singapore's ageing population and slowing local workforce growth, seniors today are also more educated and healthier, and more seniors want to stay active and are prepared to continue working.

10 To prepare for these changes, and allow employers to tap on the experience of senior workers, employers should:

- a) Voluntarily adopt higher retirement and re-employment ages ahead of the legislation where possible.
- b) Provide the necessary training for senior workers to perform their jobs effectively.
- c) Enhance flexibility in their labour structures such as providing more part-time employment opportunities.
- d) Implement workplace health programmes that meet senior workers' needs.
- e) Redesign jobs, workplaces and HR policies to be age-friendly.

² **Cleaning PWM:** +\$60-\$60-\$80 (1 Jul 2017 to 1 Jul 2019) and 3% p.a. (2020 to 2022); **Security PWM:** (SO) +\$75-\$75-\$150; (SSO, SS, SSS) +\$60-\$60-\$165 (1 Jan 2019 to 1 Jan 2021) and min. 3% p.a. (2022 to 2024); **Landscape maintenance sub-sector PWM:** +\$150-\$100-\$100 (Jul 2020 to Jul 2022) and min. 3% p.a. (Jul 2023 to Jul 2025).

³ Between 2012 and 2017, full-time resident cleaners, landscape maintenance employees, and security guards benefitted from larger real wage increases of 44%, 36% and 23% respectively, compared to 21% for the median resident worker.

11 To prepare for these changes, and enable workers to continue working as long as they are able and willing to, workers should:

- a) Proactively seek to reskill and upskill themselves to maintain their employability.
- b) Stay open to changes in their job scopes as they progress in their careers.

Flexible Work Arrangements

12 Employers should recognise that among various workplace practices, the provision of flexible work arrangements (FWAs) has the greatest impact in staff retention.⁴ To retain experienced and engaged workers, employers should:

- a) Offer FWAs to employees.
- b) Inform employees about the types of FWAs offered, the process to request for them, and the expectations on employees' responsible use of FWAs.
- c) If a request for FWA cannot be granted, supervisors should engage employees on the reasons and where possible, discuss suitable alternatives that meet the needs of both employer and employee.
- d) Promote a workplace culture that supports employees to adopt FWAs.

⁴ MOM's 2018 Conditions of Employment Report included a study of how workplace practices affect firms' resignation rates. The study covered a total of 3,700 establishments employing more than 1,300,000 individuals. The study found that workplace practice that had the greatest impact on staff retention are (ranked in descending order): (1) FWAs, (2) Annual leave entitlement, (3) Work week patterns, (4) Non-statutory leave, (5) Sickness absenteeism.