

B.8 NATIONAL WAGES COUNCIL (NWC) 2020/2021 GUIDELINES

WAGE AND TRAINING RECOMMENDATIONS

1 The National Wages Council (“NWC”) convened in March 2020 to formulate wage guidelines for the period from 1 April 2020 to 30 June 2021. These 2020/2021 Guidelines will supersede the 2019/2020 Guidelines with effect from 1 April 2020.

An Unprecedented Crisis

2 The ongoing COVID-19 pandemic presents significant challenges to the global economy. The outbreak has now spread beyond China to other major economies such as the US and Europe, and the public health measures taken to contain the outbreak are causing widespread economic disruptions. In Singapore, the outbreak has severely affected our economy. The sharp fall in international travel and tourist arrivals has badly hit our air transport and tourism sectors. Other consumer-facing sectors such as food services and retail trade have also been adversely affected by the decline in tourist arrivals as well as the cutback in domestic consumption. At the same time, outward-oriented sectors such as manufacturing and wholesale trade face a sharp fall in external demand as the outbreak takes a toll on the global economy.

3 Based on the Ministry of Trade and Industry’s (“MTI”) advance estimates for the first quarter of 2020, the Singapore economy contracted by 2.2% on a year-on-year basis and 10.6% on a quarter-on-quarter seasonally-adjusted annualised basis. Taking into account the challenging external and domestic situation, MTI has further downgraded Singapore’s GDP growth forecast for 2020 from “-0.5% to 1.5%” to “-4.0% to -1.0%”.

4 The Government has dedicated close to \$55 billion to respond to COVID-19, amounting to 11% of our GDP. This includes the \$48 billion Resilience Budget and the \$6.4 billion in the Unity Budget committed towards the Stabilisation and Support Package (“SSP”), the Care and Support Package, and to support our frontline agencies.

Staying United to Respond to COVID-19

5 The NWC calls on employers, unions & workers, and the Government to stay united and work together, to mitigate the impact of COVID-19 and position Singapore for eventual recovery. To sustain businesses and save jobs, employers should consider the following (in order of priority):

- a) First, reduce non-wage costs, and consider various measures to utilise and manage excess manpower.
- b) Second, tap on Government support to offset business and wage costs, and press on with business and workforce transformation.
- c) Third, trim wage costs.
- d) Fourth, if it is necessary to retrench workers as a last resort, ensure it is done in a responsible manner.

Reducing Non-Wage Costs and Managing Excess Manpower

6 The NWC notes that the Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchments (“the Tripartite Advisory”) was updated in March 2020. The NWC reaffirms the approach of having employers recognise the need to take a long-term view of their manpower needs, including the need to maintain a strong Singaporean core, notwithstanding the economic uncertainty brought on by COVID-19.

7 The NWC recommends the following to reduce non-wage costs and manage excess manpower:

- a) Focus on training and upskilling. See the next section for the NWC’s training recommendations.
- b) Adopt Flexible Work Schedules (FWS). Flexible Work Schedules allow employers to optimise the use of manpower when they go through cyclical troughs and peaks. Under an FWS, employers can reduce weekly working hours without adjusting wages, by creating a “timebank” of unused working hours. These banked hours can then be used to offset the increase in working hours in subsequent periods.
- c) Support affected local employees who wish to seek a second job to supplement their income. Employers that implement job-sharing arrangements, shorter work-week, or temporary layoffs should support employees who are interested to take on part-time or temporary work for another employer.

8 To help companies save jobs, employees are also urged to support employers’ cost-cutting measures and reasonable efforts to manage excess manpower. Unemployed workers should also take advantage of training support schemes to upgrade themselves and be flexible in accepting new job opportunities.

Pressing on with Business and Workforce Transformation

9 The Government has provided significant wage offsets to ease business costs. For example, under the enhanced and extended Jobs Support Scheme, the Government will co-fund 25% of the gross monthly wages of each local employee, up to a monthly wage cap of \$4,600. Firms in the food services sector will receive higher support, at 50% of wages, and firms in the aviation and tourism sectors, which are the most badly affected sectors, will be supported at 75% of wages.

10 The NWC strongly encourages all employers to make full use of Government support measures to press on with business and workforce transformation. Singapore should remain focused on longer-term industry transformation throughout this period. For employers that are seeing declines in business volume, the NWC urges them to use this period to accelerate the implementation of business and workforce transformation initiatives. Employers that do this will gain a competitive advantage and be better prepared to grow when the economy recovers.

11 The NWC makes the following recommendations:

- a) Bring forward planned training for employees. In last year's guidelines, the NWC recommended that all employers develop a training plan that meets their current and future requirements, drawing reference from the relevant Skills Frameworks. Employers that have done so should now bring forward planned training, putting employees' downtime to productive use.

Employers that have yet to develop training plans should seek help from the National Centre of Excellence for Workplace Learning ("NACE"), Singapore National Employers Federation ("SNEF"), Singapore Business Federation ("SBF"), other trade associations & chambers, the unions and NTUC LearningHub.

SkillsFuture Singapore ("SSG") offers extensive course fee subsidies and absentee payroll support. Sectors that have been particularly impacted by COVID-19 will receive further support under the SSP, in the form of enhanced course fee subsidies.

- b) Bring forward implementation of productivity initiatives. Employers should:
- i. Redesign jobs and train their employees for these new jobs. Under the SSP, WSG has made the Job Redesign and Redeployment programmes more attractive for sectors most affected by COVID-19. Under the Next Bound of SkillsFuture, the Productivity Solutions Grant has also been expanded to include job redesign consultancy services.
 - ii. Invest in training all employees in emerging skills, so that they continue to be employable and are not at risk of redundancy. Eligible employers can also tap on the new SkillsFuture Enterprise Credit to defray 90% of out-of-pocket expenses for business transformation, job redesign and skills training.
- c) Set up a Company Training Committee ("CTC") with the labour movement. More than 350 CTCs have already been established, and they are helping employers to build up their in-house workplace learning capabilities, conduct Ops-Tech Roadmapping, and re-strategise their business.
- d) Share productivity gains with their employees. Employers that do this will benefit from the enhanced Wage Credit Scheme, which subsidises qualifying wage increases for Singaporeans.

Wage Recommendations for All Workers

12 The NWC recognises that notwithstanding efforts to reduce non-wage costs, manage excess manpower, and use the lull to invest in business transformation and workforce training, employers may still find it necessary to trim wage bills in order to save jobs. The NWC therefore makes the following general wage recommendations:

- a) Employers that are adversely impacted by COVID-19 and face uncertain prospects may exercise wage reduction, with management leading by example. Depending on their financial position and prospects, these employers may consider reducing variable payments, in accordance with the Tripartite Advisory. As wage reduction measures affect the livelihood of employees, especially over an extended period of time, employers should seek the consent of unions and engage employees before implementing such measures.
- b) The NWC notes that given the adverse impact from COVID-19, fewer employees are working overtime and receiving overtime pay. Employees with commission-based variable payments or who have been asked to go on no-pay leave would also already have had their overall wages impacted. For these employees, employers should take such factors into account if they are considering a reduction in other wage components.
- c) If monthly wage levels are unsustainable given the fall in demand, employers can consider adjusting monthly variable wage components.
 - i. Under the flexible wage system¹, the Monthly Variable Component (“MVC”), which is part of the basic wage, allows employers to adjust wages quickly in response to changes in the business environment without having to wait until the end of the year to adjust variable bonus payments and other annual variable components. Employers can consider adjusting the MVC downwards. The extent of the adjustment would depend on the employer’s situation and any key performance indicators or guidelines for triggering an MVC cut as agreed with the union (if company is unionised) or employees.
 - ii. For the rest of employers that have not implemented the MVC but need to adjust monthly wages downwards, they could consider treating any cut in basic wages of up to 10% as an MVC cut. In the case of management, depending on the circumstances and requirements of the company, the MVC set aside could be more than 10% of basic wages, in line with the principle of leadership by example.
 - iii. Employers should set clear guidelines to restore MVC or basic wage cuts through future wage increases or adjustments when business recovers.

¹ The flexible wage system is a key recommendation of the NWC since 1986. In the most recent survey, 88% of private sector employees already work in establishments with some form of flexible wage system.

- d) As far as possible, employers should endeavour to pay their employees the Annual Wage Supplement. Recognising employees fairly will enable these employers to retain and inspire loyalty in their workforce and be well positioned for the recovery.
- e) Any reduction of wages should be applied to local and foreign employees fairly.

13 Companies that have done or are still doing well. At the same time, the NWC recognises that some employers will have done well despite the general economic situation. These employers should continue to reward employees with variable payments commensurate with the company's performance and the employees' contributions. If their business prospects are uncertain, they may exercise moderation in built-in wage increases.

14 Softening impact on Low-Wage Workers. The NWC recognises that any wage adjustment would have a disproportionately larger impact on low-wage workers. Hence, it strongly recommends that employers give special consideration to such workers, particularly those serving in the frontline of the COVID-19 response. Where wage reductions are necessary, employers should adopt a graduated approach, with deeper reductions at the management level and for higher-wage employees to effect the desired extent of reduction in total wage cost.

- a) 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.
- b) Where employers can afford to, they should provide special consideration to workers who have stepped up to assist the business during this challenging period. This could be in the form of an *ex gratia* payment, depending on business performance.

Responsible Retrenchment

15 If retrenchment is necessary despite all of the above measures and wage adjustments, the NWC calls on employers to conduct retrenchment exercises in a responsible manner, as set out in the Tripartite Advisory.

- a) When carrying out a retrenchment exercise, the selection of employees for retrenchment should be conducted fairly, based on objective criteria such as the ability of the employee to contribute to the company's future business needs. Discrimination against local employees, for example, will not be tolerated by the Government.

- b) Employers should submit Mandatory Retrenchment Notifications to the Ministry of Manpower, and consult their relevant unions if they are unionized, as early as possible.
- c) Employers should provide longer notice periods to the extent practicable for employees who will be retrenched, beyond the minimum requirements covered under the Employment Act.
- d) Employers should provide retrenchment benefits in line with the Tripartite Advisory.
- e) Employers should help affected employees look for alternative jobs in associate companies, in other companies or through outplacement assistance programmes. Employers can work with the unions, SNEF, SBF, WSG, NTUC's e2i, Job Security Council, U PME Centre, or any other relevant agencies, to provide employment facilitation services to help the affected employees.

Implementation of Recommendations

16 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.

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

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

19 In view of the rapid changes in the economic situation, the NWC will reconvene to review the wage guidelines as and when the situation warrants it.