

# HIGHLIGHTS

## ON ANNUAL WAGE CHANGES, 2009

- As at December 2009, a large majority or 85% of the workforce in the private sector were employed in establishments that had some form of flexible wage system, up marginally from 84% in 2008. Large establishments with at least 200 staff continued to lead in the implementation, with nine in every ten (90%) of their workers having at least one key wage recommendation in their wage system, same as in 2008. There were proportionately fewer workers in small and medium enterprises with some form of wage flexibility (79%) in 2009, but this improved from a year ago (75%).
- Having a narrow maximum-minimum salary ratio remained the most widely adopted recommendation by the private sector. This was followed by linking variable bonus to Key Performance Indicators (KPI) and incorporating the Monthly Variable Component (MVC) in the wage structure. In 2009, the share of employees in establishments that had narrowed/were narrowing the wage ratio (59%) improved slightly over the year from 58%, and the coverage of workforce with MVC (35%) also increased from 34%. The proportion of workforce employed in establishments with variable bonus linked to KPI (54%) remained the same as in 2008.
- With many establishments having restructured their wage system to tie wages more closely with business performance, the wage changes were correlated with business profitability. The more profitable private establishments gave small total wage<sup>1</sup> increases (Category A: 1.9%; Category B: 1.7%) while the less profitable Category C (-1.6%) and the loss-making Category D (-3.9%) establishments cut wages in 2009<sup>2</sup>.
- Overall, total wages in the private sector fell by 0.4% in 2009, after increasing by 4.2% in 2008. The decline in total wages stemmed from a drop of 14% in bonus paid out from 2.31 months in 2008 to 1.99 months in 2009. Basic wages still rose by 1.3% in 2009, but was significantly lower than the 4.4% rise in 2008
- While real total wages also declined in 2009, the drop (-1.0%) was less than the contraction in labour productivity (-3.9%). As a reflection of both the recession and weak productivity performance in recent years, labour productivity contracted (-3.8% p.a.) while wages grew slightly (total: 0.1% p.a., basic: 0.2% p.a.) over the last three years from 2006 to 2009. Nevertheless, over the longer period since the last recession in 2001, gains in real wages (total: 1.4% p.a., basic: 1.2% p.a.) still lagged productivity growth (1.5% p.a.).

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<sup>1</sup> Total wages comprise basic wages and bonuses.

<sup>2</sup> Category A: Establishment was profitable and did much better than in the previous year  
Category B: Establishment was profitable and did as well as in the previous year  
Category C: Establishment was profitable and did not do as well as in the previous year  
Category D: Establishment incurred a loss