

SURVEY COVERAGE AND METHODOLOGY

SURVEY ON ANNUAL WAGE CHANGES, 2009

Introduction

The *Survey on Annual Wage Changes, 2009* was conducted by the Manpower Research and Statistics Department of the Ministry of Manpower from 21 December 2009 to 12 March 2010. The survey was conducted under the Statistics Act (Chapter 317).

Objective

The survey was conducted to obtain information on the extent of wage changes and wage restructuring in 2009.

Coverage

The survey covered private sector establishments with at least 10 employees. All unionised establishments were surveyed. For the non-unionised sector, all establishments with 250 or more employees were surveyed. A systematic random sample was then drawn from the remaining establishments stratified by industry and employee size group to obtain an optimal sample size, so as to achieve a reasonable accuracy of the survey results.

This sampling methodology yielded an effective sample of 4,238 private establishments, of which 885 were unionised and 3,353 were non-unionised. These establishments employed 955,200 employees which included 296,500 rank-and-file employees, 187,600 junior and 53,900 senior management staff who were in continuous employment of at least 1 year and were in the Central Provident Fund (CPF) scheme. The survey response rate was 87%.

Methodology

The survey was conducted using mail questionnaires with clarifications made over the phone. Respondents could either complete the survey online via the Internet or return the questionnaires using the enclosed postage-free envelope or through fax.

Reference Period

The reference period for the survey was from November/December 2008 to November/December 2009.

Data Collected

The establishments were asked to provide information on the average payment of basic wage change, Annual Wage Supplement (AWS) and variable bonus to employees in 2009. 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 Nov 2009.

The establishments were also surveyed on the progress of wage restructuring in terms of whether they had adopted the three key recommendations of the Tripartite Taskforce on Wage Restructuring namely:

- (i) introduce variable bonus in the wage system that is linked to Key Performance Indicators (KPI) i.e. have formulated, communicated and explained to their employees, the KPI for the payment of the variable bonus;
- (ii) introduce the monthly variable component (MVC) in the wage structure; and
- (iii) narrow the maximum-minimum ratio for the majority of their employees to an average of 1.5 or less.

Other information collected includes establishments' satisfaction with the level of flexibility of the wage system, the percentage of monthly basic wage set aside to form the monthly variable component, and maximum-minimum salary ratio of the most common job among full-time employees.

Analysis

The first section of the report on the extent of wage changes in private sector in 2009 is based on private establishments with at least 10 workers.

The subsequent sections of the report on wage restructuring are based on private establishments with at least 25 workers, unless otherwise specified. This is to be comparable with figures for the Inaugural Survey on Wage Restructuring as at June 2004.

Classification

The industries of the surveyed firms were classified according to the Singapore Standard Industrial Classification (SSIC) 2005.

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.
- Junior Management Staff** : This refers to executives and managers who do not hold senior managerial responsibilities. They do not have substantial influence over hiring, firing, promotion, transfer, reward or discipline of employees.
- Basic Wage** : This refers to the total basic pay before deductions 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.
- Basic Wage Increase** : This usually comprises wage adjustments and built-in increments such as annual (or service), merit and NWC increments. Promotional increments are excluded.
- Annual Wage Supplement (AWS)** : This refers to the annual payment usually made at year-end. It is commonly known as the 13th month allowance.
- Variable Bonus** : This refers to the payment given over and above the AWS (also known as 13th month allowance). It includes incentive payments and 'ang pows'. 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 variable bonus. Generally, the annual variable component is linked to company's profitability.

Monthly Variable Component (MVC) : This refers to the component of monthly basic wage that can be adjusted expeditiously in response to 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.

Formulae

- Basic Wage Change in 2009

$$= \frac{\text{End 2009 Basic Wage} - \text{End 2008 Basic Wage}}{\text{End 2008 Basic Wage}} \times 100\%$$

- Total Wage Change in 2009

$$= \frac{\text{2009 Total Wage} - \text{2008 Total Wage}}{\text{2008 Total Wage}} \times 100\%$$

where

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

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 difference between the estimated value obtained from a sample and the actual 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.

The most 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 actual value. About 68, 95 and 99 per cent of estimates from all possible samples will fall within the interval defined by one, two or three

standard errors respectively on either side of the estimate. By statistical convention, the confidence level has been set at 95 per cent.

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

		Estimate	Standard Error (%-pts)	Relative Standard Error (%)	95% Confidence Interval	
					Lower	Upper
Proportion of employees in establishments that implemented at least one key wage recommendation by number of recommendations implemented	At least one recommendation	85.1%	0.4%	0.5%	84.4%	85.9%
	Three recommendations	17.0%	0.2%	0.9%	16.6%	17.3%
	Two recommendations	28.4%	0.4%	1.3%	27.7%	29.1%
	One recommendation	39.8%	0.4%	1.1%	38.9%	40.7%
Proportion of employees in establishments that implemented the key wage recommendations	Variable Bonus linked to KPI	53.7%	0.4%	0.7%	53.0%	54.5%
	Monthly Variable Component	34.7%	0.3%	0.8%	34.1%	35.3%
	Maximum-Minimum Salary Ratio	59.0%	0.4%	0.7%	58.1%	59.9%