

# **Tripartite Advisory on Managing Manpower Challenges for Enhanced Competitiveness and Sustainability**

## **INTRODUCTION**

### **Tackling the Downturn through Strong Tripartite Partnership**

1. The Tripartite Guidelines on Managing Excess Manpower (issued in November 2008, revised in May 2009) outlines various downturn measures to manage excess manpower, cut cost to save jobs, and consider retrenchment as a last resort. These measures have made a positive impact in helping companies and workers cope with the downturn, manage costs and minimise job losses.

### **Signs of Economic Recovery**

2. Singapore's GDP in the third quarter of 2009 showed a strong rebound at a seasonally adjusted 14.9 percent quarter-on-quarter. The number of retrenchments slowed down significantly amid positive employment growth and improving hiring sentiments. A clear but modest recovery is underway globally, though there are still uncertainties over the sustainability of the recovery.

3. This Advisory will help employers who are no longer confronted with excess manpower, to better prepare themselves to manage the manpower challenges to enhance their competitiveness and sustainability, while remaining vigilant to challenges which could undermine business recovery and growth. The Tripartite Guidelines on Managing Excess Manpower can still apply to companies which are still affected by the downturn.

## **MANAGING MANPOWER CHALLENGES**

### **a) Jobs Credit Scheme and SPUR**

4. The Government has decided that the Jobs Credit Scheme be extended for 6 months with another 2 payouts in March and June 2010 at stepped-down rates. Companies should make good use of the Jobs Credit and better prepare themselves to benefit from the upturn.

5. SPUR was introduced as a two-year programme until 30 Nov 2010 to help companies manage excess manpower and to prepare workers for the upturn. Companies should continue to make use of SPUR to re-skill, up-skill or multi-skill their employees as part of enhancing their productivity and competitiveness. Companies can find out more about SPUR at Singapore Workforce Development Agency's (WDA's) website (<http://www.wda.gov.sg>).

**b) Review Cost-cutting Measures**

6. In order to cut costs and save jobs, the tripartite partners recognise that companies affected by the downturn have implemented cost-cutting measures such as shorter work week, temporary layoff and no-pay leave. The Tripartite Guidelines on MEM should continue to apply to such companies which are still affected by the downturn and face problems of excess manpower. For companies which have experienced recovery and may no longer face excess manpower, employers should review whether such cost-cutting measures are still necessary and whether they could be gradually phased out. Employers should review the cost-cutting measures in consultation with workers and trade unions (for unionised companies), taking into consideration business conditions and prospects of the company.

**c) Recognise Efforts to Manage Business Downturn**

7. As many companies are still affected by the downturn, these companies would still need to continue to implement cost-cutting measures to stay afloat and save jobs. At the same time, there are also companies which have performed well or are recovering strongly from the downturn. In these companies, employers and unions/workers have stayed united including accepting wage freezes or wage cuts, to ensure that they pull through the recession. For such companies, employers could recognise employees fairly and appropriately for their support and sacrifices that they made to help the companies tide over difficult times. They could consider granting moderate wage adjustments and / or rewarding workers in the form of a one-off bonus payment. For companies granting wage adjustments, they should be cautious and take into account the uncertain outlook in 2010.

8. Companies granting annual wage increments should refer to the wage guidelines issued by the National Wages Council in June 2009, as follows:

*“ ... Companies whose business, profitability and/or prospects are affected by the economic downturn could, in consultation with their unions/workers, implement a wage freeze or wage cut in line with their performance and prospects, in order to help companies stay competitive and save jobs.*

*Companies which perform well should reward their workers with moderate wage increases, preferably in the form of variable payment, so that their long-term cost competitiveness would not be affected.”*

**d) Enhance Business Competitiveness in the Long Term**

9. The global financial crisis has structurally impacted the economy, industries and companies. In addition, the demography of Singapore's workforce is changing. The increasing pools of professionals, managers and executives (PMEs), foreign employees and mature workers make it imperative for companies to rethink and reposition their

business strategies and operations. To achieve sustainable growth as the economy recovers, companies should consider implementing the following long-term measures.

### *Implement Flexible Wage Systems (FWS) and Enhance Productivity*

10. Over the years, the tripartite partners have worked closely with companies to develop flexible wage systems. The downturn has demonstrated that a robust, flexible and competitive wage system, including the implementation of the Monthly Variable Component (MVC), can effectively help companies to respond quickly to adverse economic conditions to cut costs and save jobs. Companies should continue to work towards making their wage systems more flexible and in particular, consider implementing MVC if they have not already done so.

11. Employers are also encouraged to focus on enhancing business productivity as a long-term strategy. They should explore established productivity indicators and develop innovative solutions to enhance work-flow and business models, work smarter and faster which will lead to stronger business growth, more profitable companies and higher wages for workers. These strategies could include:

- Increasing Innovation whether through introduction of new products and services or improving processes.
- Raising Service Excellence through the entire value chain to provide higher value-add, effective and efficient service, without relying solely on more manpower;
- Enhancing HR Management – Redeploy, Retrain, Retain. Companies should:
  - a. Deploy manpower more efficiently by better matching manpower resources to business demands across different job functions, time periods and through flexible work arrangements;
  - b. Invest in the skills of their workforce, such as multi-skilling workers; and
  - c. Redesign jobs, put in place proper career pathways and good HR practices to retain staff and reduce turnover
- Research and Benchmarking to compare operations-specific productivity indicators with their competitors so that they can identify areas for improvement.

12. Unions (for unionised companies) can play a positive role to help employers implement solutions and raise productivity. Companies can also tap on a wide range of government schemes<sup>1</sup>.

## **CONCLUSION**

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<sup>1</sup> These include support for

- improving HR management capabilities under SPRING's HR Capability Package and Programme;
- technology consultancy services and funding support to accelerate technology adoption in business operations under SPRING's Technology Innovation Programme; and
- bringing in expert help to improve business management and operations under SPRING's Local Enterprise Technical Assistance Scheme.

Companies in the service industry can tap on the Customer-Centric Initiative, which supports companies that wish to upgrade their service standards. Companies can refer to SPRING's website ([www.spring.gov.sg](http://www.spring.gov.sg)) for more information. Companies can also refer to the websites of other economic agencies such as STB ([www.stb.gov.sg](http://www.stb.gov.sg)), EDB ([www.edb.gov.sg](http://www.edb.gov.sg)) and iDA ([www.ida.gov.sg](http://www.ida.gov.sg)) for schemes specific to their sectors.

13. Singapore's strong tripartite partnership has enabled it to respond swiftly and effectively to the downturn. Through the various measures formulated and implemented by the tripartite partners, companies have been able to cut costs and save jobs. This has enabled employers and employees to stay united in the face of adversity and emerge stronger from the downturn. To ride on the opportunities as Singapore's economy recovers, companies should look beyond short-term issues to also focus on long-term strategies.

14. These long-term strategies are crucial to developing a more productive and inclusive workforce and to enhancing business competitiveness and sustainability. To achieve these objectives, employer should take the lead to consult their employees and unions (for unionised companies), and communicate the strategies clearly to staff at all levels. Both employers and employees need to work together to ensure that this recovery is sustainable and that Singapore emerges well prepared to deal with the challenges and opportunities ahead. This will further strengthen the confidence of businesses and investors, raise national competitiveness and capability to the next level, and ensure that Singapore continues to achieve sustainable economic growth and social progress.

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Issued on: 5 November 2009

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