

Key Findings of Report on Wages in Singapore, 2009

Wage Restructuring

- As at December 2009, 85% of the workforce in the private sector were employed by establishments that have adopted some form of flexible wage system¹, 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. Comparatively, fewer workers in small and medium enterprises have some form of wage flexibility (79%), although the proportion has 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 the workforce employed in establishments with variable bonuses linked to KPI (54%) remained the same as in 2008.

Wage Change

- With many establishments having restructured their wage system to tie wages closer to business performance, wage changes were correlated with business profitability. The more profitable private establishments gave small total wage 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 2009².
- Overall, total wages³ in the private sector fell by 0.4% in 2009, after increasing by 4.2% in 2008. This decline in total wages stemmed from a drop of 14% in bonuses paid out,

¹ Establishments are considered to have some form of flexible wage system when their wage structure incorporates at least one of the following key wage recommendations :

- (i) implement variable bonus linked to Key Performance Indicators (KPI);
- (ii) introduce the Monthly Variable Component (MVC) in wage structure; and
- (iii) narrow the maximum-minimum salary ratio for the majority of their employees to an average of 1.5 or less.

² 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.

³ Total wages comprise basic wages and bonuses.

from 2.31 months in 2008 to 1.99 months in 2009. Basic wages still rose by 1.3% in 2009, but this is 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, gains in real wages (total: 1.4% p.a., basic: 1.2% p.a.) still lagged productivity growth (1.5% p.a.) since the last recession in 2001.

Occupational Wages

- Attesting to the value of knowledge and skills, the median monthly gross wages in June 2009 was the highest for managers (\$6,300), followed by professionals (\$4,375) and associate professionals & technicians (\$2,940). Clerical workers (\$1,918) and sales & service workers (\$1,786) were paid less. Reflective of the wage premium paid for skills and craftsmanship among the blue-collar workers, production craftsmen (\$2,150) and plant & machine operators (\$1,809) were paid more than the cleaners, labourers & related workers (\$1,000).

- Wages tend to increase with age as workers gain experience and become more productive over the years. This is reinforced by seniority-based wage systems used in some companies. The pace of wage increase with age was more pronounced among the managerial and professional groups, reflecting the knowledge-intensive nature of their work. The wages of non-PMET groups rose more gradually, reaching their peaks in their late thirties and forties. On the other hand, wages of the group of cleaners, labourers & related workers started to decline from their thirties onwards. Advancing age works against workers in manual occupations, given the physical nature of the job.