

## **NATIONAL WAGES COUNCIL (NWC) 2021/2022 GUIDELINES**

1. The National Wages Council (“NWC”) convened in September and October 2021 to formulate wage guidelines for the period from 1 December 2021 to 30 November 2022.

### **Economic Performance and Outlook**

2. Based on advance estimates<sup>1</sup>, the Singapore economy grew by 6.5% on a year-on-year (y-o-y) basis in the third quarter of 2021, moderating from the 15.2% growth in the previous quarter.<sup>2</sup> This brought GDP growth in the first three quarters of the year to 7.5% y-o-y.

3. Since May 2021, the global economic recovery has remained largely on track, notwithstanding the risks posed by COVID-19. Barring a major setback in the global economy, the growth of outward-oriented sectors such as manufacturing and finance & insurance will remain healthy. Domestically, our vaccination programme has made good progress, which will allow for the progressive easing of domestic and border restrictions. This will help to support the recovery of consumer-facing sectors such as food & beverage services and alleviate labour shortages in sectors that are reliant on foreign employees such as construction. On the other hand, the tourism- and aviation-related sectors are likely to see a prolonged period of weak demand and slow recovery due to ongoing global travel restrictions and the effects of COVID-19.

4. Taking these factors into account, the Ministry of Trade and Industry (“MTI”) has projected that GDP growth for 2021 would come in at “6% to 7%”, largely due to the low base in 2020 when GDP contracted by 5.4%. If 6% growth is achieved, the economy will only recover to just above 2019 levels. Looking ahead to 2022, MTI expects the Singapore economy to continue to recover as global growth is projected to remain positive.<sup>3</sup> Nonetheless, there remain risks in the global economy, including the

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<sup>1</sup> The advance GDP estimates for the third quarter of 2021 are computed largely from data in the first two months of the quarter (i.e. July and August 2021). They are subject to revision when more comprehensive data become available.

<sup>2</sup> The strong growth in the second quarter of 2021 was largely due to the low base in the same period of 2020 as a result of the Circuit Breaker measures implemented from 7 April to 1 June 2020, as well as the sharp fall in external demand amidst COVID-19.

<sup>3</sup> MTI will announce Singapore’s 2022 GDP growth forecast in November 2021.

continued uncertainty surrounding the trajectory of COVID-19, and upside risks to inflation especially if supply chain disruptions persist or energy commodity prices spike.

5. The labour market improved in the first three quarters of 2021 as resident employment grew and resident unemployment continued to ease. Retrenchments also fell to pre-COVID-19 levels seen in 2018 and 2019. However, the labour market recovery has been uneven across sectors, and is expected to remain so, in line with the economic outlook for the various sectors.

### **Wages should Move in Tandem with Pace of Business Recovery and Be Based on Flexible Wage System**

6. With the economy on track towards recovery, the NWC recognises the contributions of employers and employees in sustaining businesses and saving jobs, and calls on employers to ease exceptional wage policies put in place earlier. At the same time, the NWC recognises that the recovery is uneven, in particular for employers in the tourism- and aviation-related sectors. The sharp impact of COVID-19 has underscored the need for resilience and wage flexibility. The NWC therefore also calls on all employers who have not yet done so to implement the Flexible Wage System (“FWS”). The NWC sets out the following wage guidelines for all employers.

7. Employers that have recovered or are recovering should:
  - a. Implement these recommendations in tandem with business recovery and in a timely manner, in order of priority:
    - i. Restore any wage cuts implemented earlier. Employers who reduced fixed wages as an exceptional measure to save jobs should restore the fixed wage component first, followed by the variable wage components – i.e. the Monthly Variable Component (“MVC”) and the Annual Variable Component (“AVC”).
    - ii. Roll back wage-related cost-saving measures, such as shorter work week, temporary lay-offs, and no-pay leave.
    - iii. For employers that are doing well, grant built-in wage increases and variable payments, commensurate with business

performance, prospects and productivity growth, as well as employees' contributions.

iv. Roll back discretionary cost-saving measures, such as cuts in allowances.

b. Implement the FWS to become more resilient. Employers that have not yet adopted the FWS, or who need to build up the variable wage components to recommended levels<sup>4</sup>, should put both restored wages and wage increases into variable wage components, and transfer part of fixed wages to variable wage components as needed.

8. Employers that continue to be adversely impacted by COVID-19 should:

a. Continue to tap on Government support measures to accelerate business and workforce transformation, retain employees through appropriate cost-saving measures, and retrain and redeploy employees in affected business units to new jobs within the company.

b. Consider non-wage cost-saving measures as far as possible and endeavour to pay the Annual Wage Supplement, in order to mitigate the impact of prolonged wage cuts on employees and help employees, especially lower-wage workers ("LWWs"), cope with their expenses.

c. Seek unions' or employees' support (where applicable) to implement temporary wage cuts to minimise retrenchments if they have exhausted the above measures, but still face significant cost pressures and poor business prospects.<sup>5</sup> This should be done by adopting the FWS, for employers who have not yet done so, and utilising the range of flexibility provided for in the variable components of the wage structure.

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<sup>4</sup> The variable components should comprise 30% of the basic wage package on an annual basis (10% for the Monthly Variable Component and 20% for the Annual Variable Component, inclusive of the Annual Wage Supplement) for rank-and-file employees, 40% for middle management and 50% for senior management.

<sup>5</sup> Where retrenchment is necessary, employers are reminded to adhere to the Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment.

9. A flexible and competitive wage structure will enable employers to make quick adjustments during periods of economic uncertainty, so as to sustain their businesses and maintain their capacity for eventual business recovery. At the same time, the FWS will provide greater job security for employees and ensure that wages are fairly and more quickly restored in tandem with business recovery. To help employers and employees better understand how the FWS works, and how to implement the FWS, the NWC has published a FWS Guidebook which can be accessed at <https://go.gov.sg/fwsguidebook>. Employers who need advice and support on implementing the FWS may approach the National Trades Union Congress (“NTUC”) and its affiliated unions, the Singapore National Employers Federation (“SNEF”), and the Tripartite Alliance for Fair and Progressive Employment Practices (“TAFEP”).

### **Ensuring Sustained Wage Growth for LWWs**

10. COVID-19 has shone the spotlight on the essential nature of many of our LWWs’ work, as well as their precarity. As a society, we must uplift our LWWs and provide inclusive growth that benefits all Singaporeans. The Tripartite Workgroup on Lower-Wage Workers (“TWG-LWW”) was formed in October 2020 to evolve the long-term strategy to support our LWWs. After extensive consultations and deliberation, the TWG-LWW achieved tripartite consensus to uplift LWWs in a way that maximises their employment outcomes and is also sustainable for businesses. In August 2021, the Government accepted the TWG-LWW’s recommendations<sup>6</sup> for the NWC to:

- a. Guide the rate of Progressive Wage growth for LWWs so that LWWs can gain ground on the median wage level. Tripartite Clusters<sup>7</sup> setting the wage rungs for their respective sectoral Progressive Wages this year should take reference from the NWC’s recommended Range of Progressive Wage Growth, while taking into consideration their sectors’ unique circumstances.
- b. Recommend the wage growth of Occupational Progressive Wages (“OPW”)<sup>8</sup>. The NWC notes that the TWG-LWW has made

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<sup>6</sup> Refer to the TWG-LWW’s report at <https://www.mom.gov.sg/twg-lwwreport>.

<sup>7</sup> Tripartite Clusters are responsible for developing and reviewing their respective Progressive Wage Models, including its wage rungs, training requirements and progression pathways. There are currently Tripartite Clusters for the Cleaning, Security, Landscape Maintenance, Lift & Escalator Maintenance, Retail, Food Services, and Waste Management sectors.

<sup>8</sup> The OPW was introduced to cover administrators and drivers across all sectors.

recommendations on the initial wage rungs under the OPW, and that it will be implemented from March 2023. The NWC will consider recommendations on the OPW next year.

11. Moving from basic monthly wage to gross monthly wage as new reference. The TWG-LWW also recommended that Progressive Wages for LWWs be expressed in terms of gross monthly wage<sup>9</sup> to give employees greater certainty of the expected monthly wage for a set of standard working hours. Hence, while the NWC's previous wage recommendations encouraged employers to give special consideration to employees earning up to a basic monthly wage threshold, going forward, the NWC's recommendations for LWWs will reference the gross monthly wage and be relevant for employees earning up to \$2,000 in gross monthly wage<sup>10</sup>. In implementing these wage increases, employers should seek to bring about meaningful improvement to employees' income stability in the long run, and ensure sustained basic wage growth and fair wages for employees based on their hours worked.<sup>11</sup>

12. Wages of LWWs should grow faster than median wage level. To ensure that wages of LWWs grow faster than the median wage level, the NWC recommends that employers provide a built-in wage increase of 4.5% to 7.5% of their gross wages or \$70 to \$90, whichever is higher, for their LWWs earning a gross monthly wage of up to \$2,000. Employers who are doing well and have experienced healthy revenue growth even during the COVID-19 period should aim for the upper bound of the range, while employers who are recovering or have recovered may aim for the lower to middle of the range. This recommendation takes into consideration various factors, including the expected rate of wage growth in the medium term, the current economic climate, and the tripartite-agreed pace to uplift lower-wage workers so they can gain ground on the median worker. In line with the TWG-LWW's recommendation to aim for higher wage growth for lower-paid LWWs, the NWC calls on employers to provide higher percentage wage increase for LWWs who are earning comparatively lower wages. Relatedly, the minimum

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<sup>9</sup> The gross monthly wage includes the basic monthly wage (comprising the monthly fixed component and the monthly variable component), and gross wage components such as allowances, commissions and overtime payments, but excludes Annual Wage Supplement and bonuses (which are usually paid on an annual basis). Both the gross monthly wage and the basic monthly wage are before deduction of employee CPF and exclude employer CPF contributions.

<sup>10</sup> A gross monthly wage of \$2,000 will cover approximately 20% of full-time employed residents in Singapore.

<sup>11</sup> The TWG-LWW recommended that Progressive Wages be converted to fair hourly rates for those working part-time or overtime, to provide firms flexibility to hire locals on different work arrangements, while ensuring fair wages for employees based on their hours worked.

dollar quantum of \$70 to \$90 helps to ensure that the lowest-paid employees receive a proportionally higher increase.

13. At the same time, the NWC recognises that there are some sectors or employers still facing economic headwinds whose business have not recovered, and are therefore considering a continuation of wage freeze or further wage reduction as a general policy. For their employees earning a gross monthly wage of up to \$2,000, employers who are:

- a. Freezing or continuing to freeze wages should consider a built-in wage increase of up to \$50 for these employees instead.
- b. Implementing further wage reduction should implement a wage freeze for these employees instead.

14. In recommending the Progressive Wage growth this year, the NWC has taken into account the continuing economic uncertainty faced by employers particularly those facing headwinds as a result of the economic impact of COVID-19. As this is the first year of implementation and there is need for LWWs to gain more ground with the median worker, the NWC will consider a higher Range of Progressive Wage Growth next year should the economic situation improve.

### **Forge Ahead in Transforming Jobs and Upskilling Workforce**

15. COVID-19 has accelerated the pace of economic transformation, in turn requiring employees to upskill for future jobs. The NWC is concerned that the proportion of employers that provided structured training to employees decreased from 79.1% in 2019 to 65.4% in 2020. The proportion of employees receiving structured training also dipped from 55.8% in 2019 to 46.5% in 2020<sup>12</sup>. The NWC calls on the Government, employers, unions and employees to take decisive steps to transform jobs and upskill the workforce, so as to emerge stronger. The NWC recommends that:

- a. All employers offer structured training for their employees.

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<sup>12</sup> Data on training incidence pertain to private sector establishments each with at least 25 employees. Source: Employer Supported Training Survey, Manpower Research & Statistics Department, MOM.

- i. Employers are encouraged to work with the labour movement to establish Company Training Committees (“CTCs”)<sup>13</sup> to build up their in-house workplace learning capabilities, so that employees can continue to keep up with the pace of transformation at work. The CTCs have helped companies in driving business transformation and implementing training plans.
  - ii. Employers can also seek the assistance of SNEF, Singapore Business Federation (“SBF”), other trade associations & chambers, the unions and NTUC LearningHub, or access consultancy services offered by the National Centre of Excellence for Workplace Learning (“NACE”), or join a SkillsFuture Queen Bee network where available to develop their training plans.<sup>14</sup>
- b. Employers, together with their employees, must innovate and implement productivity initiatives, and work towards better wages and skills. They should:
- i. Redesign jobs and train their employees to take on these jobs. Employers can tap on the Support for Job Redesign under Productivity Solutions Grant (“PSG-JR”) to engage consultants who can assist employers in developing proposals for PSG-JR and implementing the PSG-JR project.
  - ii. Adopt a proactive approach to reskill and upskill existing employees for new job roles within the company, in particular for employees who are at greater risk of redundancy. This will

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<sup>13</sup> Launched in 2019, CTCs help employees attain better work prospects by putting in place a systemic process for employers to develop forward-looking workforce plans aligned to their organisational strategies. CTCs also serve as a platform to bring together relevant stakeholders and resources to facilitate the implementation of these workforce plans. There are over 700 CTCs to-date.

<sup>14</sup> When developing their training plans, employers can access a wide range of resources, including Jobs-Skills Insights and Skills Frameworks published by SkillsFuture Singapore (“SSG”) to better understand the skills supply and demand situation, and gain insights on training interventions to address their skills gaps in a timely fashion. Employers can also access SSG’s Jobs-Skills Insights Webinar Series, to receive skills advisories to support their business needs. To better understand how key trends will transform their business and impact jobs and skills, employers can refer to the Jobs Transformation Maps (“JTM”). JTMs provide detailed insights on the impact of technology and automation on the industry and workforce, and will serve as a useful compass for employers and employees to prepare themselves for the future of work (see <https://wsg.gov.sg/for-employers/jobs-transformation-maps.html>). JTMs are available for the following sectors: Financial Services, Logistics, and Human Resources. There are plans for another twelve JTMs.

help employers to retain valuable experience and human capital. Employers can tap on Workforce Singapore (“WSG”)’s Career Conversion Programmes to redeploy at-risk employees to new roles, and send their workers for modular Continuing Education and Training (“CET”) courses to help them reskill. Higher training and salary support is available for mature employees.

- iii. Tap on the various SkillsFuture Work-Study Programmes to build a robust talent pipeline, provide fresh school leavers with the opportunity to build on their skills and knowledge as they transition into the workforce, and improve retention by fulfilling employees’ upgrading aspirations.
  - iv. Improve and build human resource (“HR”) capabilities in emerging areas and adopt best practices by working with the Institute for Human Resource Professionals (“IHRP”) to certify and upskill HR professionals, and develop HR strategies to maximise employee potential and support business transformation.
- c. Employees should support their employers in workforce and business transformation efforts. Employees could proactively point out skills gaps and suggest training needs to their employers, and undergo training when available.

### **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. Employers, unions and employees have responded with unity and resilience despite the challenges from COVID-19. As the economy recovers, the NWC urges all employers, unions and employees, and the Government to build on the mutual trust that has been carefully built up over the years, so as to secure our recovery, uplift our LWWs, and build an inclusive society.