

Key Findings of Report on Wages in Singapore, 2011

Annual Wage Changes

- The tight labour market continued to lift workers' wages, despite the slower economic growth in 2011. Total wages (including employer CPF contributions) in the private sector rose by 6.1% in 2011, higher than the growth of 5.7% in 2010. Taking into account the rise in consumer price index (CPI), the increase in real terms was 0.9% in 2011, lower than the gain of 2.9% in 2010. The corresponding figures when adjusted using CPI excluding imputed rentals on owner-occupied accommodation were 1.9% and 2.4%.
- Excluding employer CPF contributions, total wages increased by 5.3%, slightly lower than the gain of 5.5% in 2010. The increase in total wages in 2011 stemmed from a basic wage growth of 4.4% and an increase of 6.9% in bonuses (also known as annual variable component) paid out from 2.17 months of basic wages in 2010 to 2.32 months in 2011¹. Weighed down by inflation, real total wages rose by 0.1% while real basic wages declined by 0.8%, after increasing by 2.7% and 1.1% respectively in 2010 when inflation was lower.
- With the slower GDP growth amid continuing strong employment creation, labour productivity rose by 1.0% in 2011, significantly lower than the increase of 11% in 2010, reflecting the volatility in year-to-year change in labour productivity. Over the longer period from 2000 to 2011, labour productivity grew by 1.7% per annum (p.a.) while real total wages (including employer CPF contributions) increased by 1.6% p.a.

¹ Basic wages and bonuses exclude employer CPF contributions.

Wage Restructuring

- As at December 2011, 86% of employees in the private sector was under some form of flexible wage system². This eased from 89% a year ago, after rising from 85% in 2009. The slight decline was observed across both large establishments and small and medium enterprises (SMEs), possibly reflecting the churn in firms entering and leaving the economy.
- Large establishments with at least 200 employees continued to lead, with nine in ten (91%) of their workers having at least one key wage recommendation in their wage system, higher than almost eight in ten (79%) in SMEs.
- Having a narrow maximum-minimum salary ratio (involving 63% of workforce) remained the most common recommendation adopted by the private sector. This was followed by linking variable bonus to Key Performance Indicators (KPI) (52%) and having the Monthly Variable Component (MVC) (35%) in the wage structure. In 2011, the coverage of workforce with MVC and in establishments that had narrowed/were narrowing the wage ratio were broadly the same as in 2010 (35% and 64% respectively), while the share of employees with variable bonus linked to KPI declined from 57%.

Occupational Wages

- Attesting to the value of knowledge and skills, the median monthly gross wage was the highest for managers at \$6,630 in June 2011. This was followed by professionals at \$4,632 and associate professionals & technicians who drew a median pay of \$3,070. Clerical support workers (\$2,097) and service & sales workers (\$2,000) were paid less. Among blue-collar occupations, craftsmen & related trades workers (\$2,377) and plant & machine operators (\$2,015) were paid more than cleaners, labourers & related workers (\$1,020).

²Establishments are considered to have some form of flexible wage system when their wage structure incorporates at least one of the following key wage recommendation:

- 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.

- Wages tend to rise with age as workers gain experience. In June 2011, the pace of wage increase with age was more pronounced among managers and professionals. The link between age and wages was less obvious for lower-skilled workers whose wages generally rose more gradually and peaked earlier. In fact, wages of plant & machine operators and cleaners, labourers & related workers were largely flat for younger workers before declining for those in their mid forties onwards. Advancing age typically works against workers in physically demanding manual occupations.
- Higher value-added industries generally pay better. Specifically, financial services and professional services were among the top three highest-paying industries across many occupational groups in June 2011. In contrast, accommodation & food services and construction were among the lower-paying industries.
- Like in other countries, females in Singapore typically earn less than males. The gender wage gap was narrower in white-collar occupations, with women in the prime-working age of 35 to 39 earning close to or the same as men in clerical support, professional, associate professional & technician and service & sales occupations. Gender wage differential also varied with age, with the younger cohorts having substantially lower wage differential than those older. With age, females were more likely to take career breaks to care for their family which reduced their work experience and hence pay, relative to men.