

NATIONAL WAGES COUNCIL (NWC) 2020/2021 ADDENDUM

Extension of NWC 2020/2021 Guidelines and Supplementary Guidelines

1. The National Wages Council (“NWC”) Guidelines for April 2020 to June 2021 were issued on 30 March 2020 to provide guidance on how employers can sustain their businesses and save jobs, in response to COVID-19. Supplementary Guidelines were issued on 16 October 2020 to provide updated guidelines to minimise retrenchments and encourage implementation of the Flexible Wage System (“FWS”). The NWC is of the view that both sets of guidelines remain relevant for the current environment and are extended by this Addendum to 30 November 2021. However, employers experiencing recovery or growth should take steps to restore wages, reward employees fairly, and bring forward hiring plans.

Economic Performance and Outlook for 2021

2. The Singapore economy contracted by 5.4% in 2020 due to the economic impact of the COVID-19 pandemic. Extensive Government support measures had helped to avert a deeper economic recession.¹ The global economy is expected to rebound in 2021, following the contraction experienced in 2020. Since the start of the year, prospects for global growth have improved, with the International Monetary Fund (“IMF”) upgrading its global growth forecast for the year.² However, the pace of recovery is likely to be uneven across economies, with some economies such as the US and China projected to see a faster recovery compared to other economies. There also remains uncertainty surrounding the course of the pandemic, given the emergence of new strains of the virus and the differing speed of vaccine rollouts in the various economies.

3. In line with the projected global economic rebound, and continued progress in our domestic vaccination programme, the Singapore economy is expected to see a gradual recovery in 2021. Based on advance estimates, the economy expanded marginally by 0.2% on a year-on-year (y-o-y) basis in 1Q 2021, the first positive y-o-y growth rate since the pandemic struck in 1Q

¹ For more details, see ‘An Interim Assessment of the Impact of Key COVID-19 Budget Measures’ by MOF (February 2021).

² In the IMF World Economic Outlook (April 2021), the global growth forecast for 2021 was upgraded to 6.0%, from the 5.2% projected in the IMF World Economic Outlook (October 2020).

2020.³ The Ministry of Trade and Industry (“MTI”) earlier announced a GDP growth forecast of 4.0% to 6.0% for 2021. Given the performance of the Singapore economy in 1Q 2021 and the improvement in the global economic outlook, GDP growth is now likely to exceed the upper end of the forecast range, barring a significant setback in the global economy or the domestic health situation.⁴ However, the recovery will be uneven across sectors, with some sectors recovering faster than others.⁵

4. The labour market is showing signs of broad improvement, but is not fully back to pre-COVID-19 conditions. Following total employment decline of 166,600 (excluding Foreign Domestic Workers) in 2020, advance estimates for 1Q 2021 show a modest expansion. Unemployment rates have been easing since peaking in September 2020, but remain higher than before the pandemic. Labour market recovery in 2021 may be gradual and uneven across sectors.

5. The uncertainty and unevenness of recovery has translated into uncertain prospects for some businesses. The NWC recognises that businesses may continue to face increased COVID-19 related costs. These include costs such as higher freight and transport charges, reduced business capacity due to safe distancing measures, and increased operating expenses associated with compliance with COVID-19 measures (e.g. housing Malaysian workers due to travel restrictions). The NWC notes that wage support under the temporary Jobs Support Scheme has already ended for many industries, and will taper off and expire in September 2021.

Employers to Continue to Minimise Retrenchments and Take Steps to Emerge Stronger

6. Given the current economic outlook, the 2020/2021 Guidelines and Supplementary Guidelines remain relevant and continue to provide guidance

³ Outward-oriented sectors such as manufacturing, wholesale trade, information & communications and finance & insurance supported GDP growth during 1Q 2021.

⁴ MTI is reviewing the GDP growth forecast and an update will be provided at the Economic Survey of Singapore media briefing in end-May.

⁵ Growth prospects for outward-oriented sectors including the manufacturing, wholesale trade, finance & insurance and information & communications sectors are positive given the global economic recovery. However, recovery in the tourism- and aviation-related sectors is expected to be protracted as the lifting of global travel restrictions and resumption of travel are likely to be gradual. Consumer-facing sectors like retail and food & beverage services are projected to see a recovery, but activity will likely remain below pre-COVID levels throughout 2021. Similarly, the construction and marine & offshore engineering sectors are expected to recover from the low base in 2020, but their level of activity will continue to be dampened by safe management measures and labour shortages due to border restrictions.

to employers on sustaining their businesses, saving jobs, pressing on with business and workforce transformation⁶, and recognising the contributions of the employees fairly.

7. For many employers, their individual circumstances would have changed significantly compared to 2020, and the application of the NWC guidelines may therefore be different this year. All employers should re-evaluate their business situation and how the NWC guidelines would apply to them. To facilitate wage negotiation, employers of unionised companies should share relevant information, such as company performance and business prospects, with unions.

- a) Employers that have done well and have good business prospects should continue to reward employees fairly through variable payments and bring forward their hiring plans. These employers should also grant built-in basic wage increases.
- b) Employers that are experiencing business recovery should restore wage cuts implemented earlier, or roll back other cost-saving measures (e.g. reductions in allowances and commissions, shorter work week, temporary lay-offs, and no-pay leave), in tandem with business recovery and in a timely manner. Employers who have reduced basic wages as an exceptional measure to save jobs should restore basic wages first, followed by the variable wage components (i.e. the Monthly Variable Component and the Annual Variable Component “AVC”). When determining the AVC payment, employers should continue to consider the company’s and individual’s performance.
- c) Employers that continue to be adversely impacted by COVID-19 should continue to take maximum advantage of Government support measures to accelerate business and workforce transformation⁷, retain employees through appropriate cost-saving measures, and retrain and redeploy employees in affected business units to new jobs within the

⁶ Employers should work with the labour movement to expedite the set-up of Company Training Committees (“CTCs”), which can help employers build up their in-house workplace learning capabilities, conduct Ops-Tech Roadmapping, and re-strategise their business. Over 600 CTCs have already been established.

⁷ As announced at the 2021 Budget and Committee of Supply debates, the Government will support local companies to innovate, transform and scale up their businesses. For example, the Government will co-fund enterprises’ adoption of digital solutions and new technologies through enhanced support levels for existing programmes such as the Enterprise Development Grant, and the new Emerging Technology Programme. The Productivity Solutions Grant was also expanded to support job re-design.

company. If employers have already exhausted non-wage cost-saving measures and Government support and still face significant cost pressures and poor business prospects, these employers should seek employees' support to implement temporary wage cuts to minimise retrenchments, based on key principles articulated in the Supplementary Guidelines. These include the immediate implementation of FWS for employers who have not adopted FWS, by treating any wage cuts as adjustments to a new variable component.⁸ Unionised companies should negotiate and agree on wage adjustments, other cost saving measures and FWS implementation with the union.

8. The NWC continues to call on all employers to give special consideration to low-wage workers. To uplift wages for low-wage workers, the NWC recommends employers who have done well, or are recovering, to consider built-in wage increments. Employers who are implementing wage reductions should implement a wage freeze for low-wage workers instead.

9. In alignment with the NWC's focus on raising wages of low-wage workers, the NWC is working with the Tripartite Workgroup on Lower-Wage Workers ("TWG-LWW"), which is exploring ways to cover more low-wage workers with progressive wages. The NWC aims to incorporate the TWG-LWW's recommendations, which are expected to be released later this year, into the 2021/2022 Guidelines.

10. Given the dynamic and evolving COVID-19 pandemic situation, the NWC will convene again later in the year to develop the NWC guidelines for the period from 1 December 2021 to 30 November 2022. The NWC emphasises the importance of the employers, unions and employees, and the Government maintaining the mutual trust that has been carefully built up over the years, and working closely together to help businesses succeed and save jobs. Together, we can emerge stronger from this crisis.

⁸ See [Annex A](#) of the NWC 2020/2021 Supplementary Guidelines for more information on the Flexible Wage System.