

NATIONAL WAGES COUNCIL (NWC) 2020/2021 SUPPLEMENTARY GUIDELINES

1. The National Wages Council (“NWC”) Guidelines for April 2020 to June 2021 was issued on 30 March 2020 in response to the significant challenges posed to our economy by the COVID-19 outbreak.
2. Since March 2020, the economic fallout from the COVID-19 pandemic has become more widespread. Given the recurring waves of infections around the world, the pace of recovery in the second half of the year is expected to be slow and uneven. In Singapore, the economy has entered a recession, with more slack in the labour market and mounting pressure on employers to retrench.
3. The 2020/2021 Supplementary Guidelines provides employers with updated guidelines to sustain businesses and save jobs under these challenging circumstances, and will apply to the period from 1 November 2020 to 30 June 2021.

Updated Economic Performance and Outlook

4. The International Monetary Fund (IMF) has estimated that the global economy is likely to contract by 4.9% in 2020, which would be the worst contraction since the Great Depression of the 1930s¹. Global trade is also projected to fall sharply by 11.9% in 2020². The steep decline in global economic activity is expected to have a severe impact on the labour market, with the unemployment rate in advanced economies projected to increase to 8.3% in 2020, from 4.8% in 2019. As countries around the world continue to grapple with the COVID-19 pandemic, global economic recovery is expected to be gradual.
5. For Singapore, the Ministry of Trade & Industry (“MTI”) and the Ministry of Manpower (“MOM”) indicated that the Singapore economy contracted by 13.2% on a year-on-year basis in the second quarter of 2020, worsening from the 0.3% contraction in the first quarter, while total employment (excluding Foreign Domestic Workers) contracted by 129,100 in 1H 2020. Foreign employment (excluding Foreign Domestic Workers) fell by 5.7% (-66,400), sharper than the 2.7% (-62,700) decline in local employment. The sharp fall in GDP and employment was due to the Circuit Breaker measures implemented from 7 April to 1 June 2020 to slow the spread of COVID-19 in Singapore, as well as weak external demand amidst the global economic downturn caused by the pandemic. The overall unemployment rate rose to 3.0% in July 2020, and retrenchments also

¹ Source: IMF World Economic Outlook (June 2020)

² Source: IMF World Economic Outlook (April 2020)

rose sharply to 8,130 in 2Q 2020. The Government has dedicated about \$100 billion to support our people and businesses. MAS estimates that the combined Budgets will prevent the economy from contracting by a further 5.6% of GDP in 2020, and 4.8% in 2021. Our economic support measures will also cushion the rise in resident unemployment rate by about 1.7% points this year. This could mean about 155,000 jobs saved over these two years, although we will still see job losses overall. More than half of the jobs saved come from the Jobs Support Scheme alone³.

6. For the rest of the year, the weak external economic environment is expected to pose a drag on several of Singapore's outward-oriented sectors such as transportation & storage and wholesale trade. Moreover, the slow reopening of international borders as a result of the COVID-19 situation worldwide is likely to weigh on the outlook of sectors that are reliant on air travel and tourism, including air transport and aerospace, accommodation, MICE, and arts, entertainment & recreation. The downturn in the construction and marine & offshore engineering sectors is also expected to be protracted due to the slow resumption of activities at construction worksites and shipyards.

7. Nonetheless, there are several areas of strength in the Singapore economy, including the electronics, precision engineering and biomedical manufacturing clusters, as well as the finance & insurance and information & communications sectors. At the same time, selected segments within consumer-facing sectors like retail are also expected to continue to perform well, such as online retail and F&B, supermarkets, and mini-marts & convenience stores.

8. Taking into account the external and domestic situation, MTI expects the Singapore economy to contract by 5.0% to 7.0% for 2020 as a whole. Consequently, softness in the labour market is likely to persist with continued weakness in hiring and pressure on companies to retrench.

Emerging Stronger Together

9. COVID-19 has already begun reshaping the world. Global companies are reviewing and reorganising their production and supply chains, to shift from a focus on efficiency to one of resilience. For individuals, COVID-19 has also upended the way we work. Many businesses and their employees, as well as consumers have been pushed to embrace the digital world. This trend will only accelerate over time. Given the deepening and lasting impact of COVID-19,

³ Source: DPM Heng Swee Keat's Ministerial Statement on Overview of Government's Strategy to Emerge Stronger from the COVID-19 Pandemic, October 2020

companies should take a longer-term view to position themselves and their employees to emerge stronger from the crisis.

10. The NWC encourages employers to evaluate their existing business situation and the outlook for their sector, including the impact on the future of work that the COVID-19 pandemic has either brought about or accelerated. Employers should carefully consider the enterprise and workforce capabilities needed to support their business strategy going forward and which are critical for the company to preserve or build up for the post-COVID-19 economy, as well as which parts of the business need to be restructured. Companies should take maximum advantage of Government support measures during the downturn to accelerate business and workforce transformation. As far as possible, employers should retain existing employees through appropriate cost-saving measures, retrain and redeploy employees in restructured business units to new jobs within the company, and continue to equip them with skills for the future, especially the Singaporean core.

11. Where the above is not possible, for example, due to business downsizing, employers may consider retrenchment as a last resort. Where retrenchment is necessary, employers are reminded to adhere to the updated Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment (“the Tripartite Advisory”), which the NWC has endorsed, and retrench their employees in a fair, responsible and sensitive manner.

12. Employees should support and work closely with their employers on the implementation of appropriate cost-saving measures, including reasonable wage cuts, as well as redeployment opportunities and training programmes to preserve and upgrade critical capabilities or to enable business restructuring. Retrenched employees should also take advantage of training support schemes to upgrade themselves and be flexible in accepting new job opportunities.

Minimising Retrenchments To The Greatest Extent Possible

13. Besides causing hardship to affected employees, retrenchments may also impair companies’ capabilities that can help them emerge stronger from a downturn in business activities. Therefore, both employers and employees should work together closely to minimise retrenchments with a view to helping each other move towards the recovery phase. The NWC therefore strongly encourages all employers to retain their employees in areas of critical capabilities or to take on new jobs in restructured business functions. 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 the extent needed

to minimise retrenchments. The wage cuts should depend on the sector and company's performance and outlook. In the spirit of solidarity, the burden of wage cuts should not fall excessively on any one group. At the same time, management should lead by example and employers should consider varying wage cuts to take into account the ability to cope with such cuts at different salary tiers, while keeping the extent of cuts bearable for all employees. Wage cuts accepted in good faith by employees should also be restored when business conditions allow.

14. The NWC deliberated issuing quantitative wage reduction guidelines and concluded that such recommendations would not be meaningful, given the uneven impact of COVID-19 and the significant variation in business conditions across and within industries as well as between companies. To give clear guidance to employers on implementing appropriate wage cuts, the NWC sets out the following key principles:

a. Employers that have adopted the Flexible Wage System ("FWS") should utilise the range of flexibility provided for in the variable components of the wage structure. Under the FWS, the variable components should comprise 30% of the total 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. However, if necessary to avoid retrenchments, employers can also consider temporary reduction of basic wages after the variable components have already been adjusted. Such a temporary reduction is an exceptional cost-saving measure necessitated by the COVID-19 pandemic.

b. Employers that have not adopted the FWS can also cut wages to the extent needed to minimise retrenchments and keep the business going. These employers should implement the FWS immediately by treating any wage cuts as adjustments to a new variable component, in line with FWS principles.

c. Management should lead by example and take earlier and deeper cuts to their wages to effect the desired extent of cost savings.

d. For employers who already pay an Annual Wage Supplement ("AWS"), commonly known as the 13th month payment, this can be considered as part of the AVC. If the AWS is regarded as deferred basic wages, i.e. it is not variable, then employers will need to build up the AVC separately. The NWC encourages employers that have the practice of paying the AWS to endeavor to continue doing so. This is as the payment

of the AWS helps employees with their seasonal expenses and is particularly useful for low-wage workers who have little or no discretionary savings.

e. In deciding what is a reasonable level of wage cut, employers should carefully take into account their sector's and company's performance and outlook, and the level of Government support to employers to offset business costs and employees' wages, as well as the cumulative effect of prior wage cuts and other cost-saving measures that have already been implemented to-date on employees, such as reductions in allowances and commissions, shorter work weeks, temporary lay-offs and no-pay leave. Employers should also consider varying wage cuts to take into account the ability to cope with such cuts at different salary tiers. Any wage cuts implemented should be fair and reasonable, bearing in mind that employees will still have basic expenses to upkeep. Furthermore, where employees continue to contribute their full working hours, or even take on longer working hours, despite the business downturn, employers should take this into account in deciding the appropriate wage cut.

f. Unionised companies should, where applicable, negotiate and agree on wage adjustments and FWS implementation with the union. In addition, to facilitate wage negotiation, employers of unionised companies should share relevant information, such as company performance and business prospects, with unions in advance. Transparency is crucial so that sound decisions can be made for mutual interests and trust. For non-unionised companies, employers should take a proactive and transparent approach in communicating with employees on cost-saving measures to be implemented. Employees should support non-wage cost-saving measures and work closely with the Management to identify cost-saving opportunities.

15. Wage cuts should be restored in tandem with business recovery, taking into account both the sector's as well as the company's performance. Employers should have regular reviews, in discussion with the unions (if applicable), so as to restore cuts to wages in a timely manner. Guidelines on how wage restoration will be done should be clearly specified and communicated to employees, including any applicable criteria such as the extent of recovery of the economy and market conditions, as well as the company's recovery and the impact of the wage adjustments on the company's sustainability.

Wage Recommendations for Low-Wage Workers

16. The NWC reiterates its recommendation that employers give special consideration to low-wage workers. It welcomes the additional support that the Government has provided low-wage workers via the Workfare Income Supplement⁴ and Workfare Special Payment⁵ and calls on employers to also do their part to uplift our low-wage workers.

a. For employers implementing a policy of wage reduction, they should implement a wage freeze instead for low-wage workers earning a basic monthly wage of up to \$1,400.

b. For low-wage workers earning a basic monthly wage above \$1,400, employers should ensure that any wage reductions are reasonable. In addition, employers ought to avoid a situation where employees fall below a basic monthly wage of \$1,400 after wage adjustments.

Responsible Retrenchment

17. Retrenchment should be a last resort for employers who continue to have a viable business plan post-COVID-19. It should be considered only after exhausting other options such as retaining employees in critical capability areas, or retraining and redeploying employees to new jobs in restructured business units.

18. Employers who have to retrench employees as a last resort should adhere to the updated Tripartite Advisory, which calls on employers to carry out retrenchment exercises in a respectful manner, and with compassion. This includes the manner in which affected employees are notified and the type of support they receive thereafter. For example, employers should provide a longer notice period where possible and provide affected employees time and space to adjust to the news before requesting them to exit the workplace. Managers notifying the retrenched employees should also be properly prepared and supported to manage the process well.

19. Employers should also take a long-term view of their manpower needs, including the need to maintain a strong Singaporean core. This can be achieved by putting in effort to build up and facilitate transfer of niche or business-critical skills to their local employees and retaining more locals during a retrenchment

⁴ From Work Year 2020, the Government enhanced the Workfare Income Supplement Scheme by raising the qualifying income cap from \$2,000/month to \$2,300/month, and issuing payouts of up to \$4,000 annually, compared to \$3,600 previously.

⁵ Eligible recipients will receive a total of \$3,000.

exercise. Employers who subsequently experience a pick-up in business activities should make a deliberate effort to strengthen their local workforce by hiring locals when they are able to do so.

20. As there are job vacancies in various industries, retrenched employees should also be proactive, flexible and mobile to join other industries, to re-skill and to be part of the transformation of the economy.

Emerging Stronger with a More Pervasive Flexible Wage System

21. The NWC carefully considered whether to call for a reduction in employers' CPF contributions, and the tripartite consensus is not to do so. The tripartite partners note that CPF contribution cuts negatively impact the retirement adequacy of affected cohorts of Singaporeans. In addition, a reduction in employers' CPF contributions is a blunt move which would not take into account the varying circumstances of individual companies and employees. At the same time, reducing employers' CPF contributions would have a disproportionate impact on local employees.

22. Just as in past crises, the depth of this recession has underscored the importance of a flexible and responsive wage system to help employers manage costs and save jobs. The FWS was introduced in 1986⁶ following the 1985 recession. The NWC's main recommendation at the time was to implement a wage structure that included an Annual Variable Component ("AVC"). Subsequently in its 1999 Guidelines, after the Asian Financial Crisis, the NWC noted that most companies still did not have a wage system that was flexible enough to respond to a recession. For this reason, the tripartite partners proposed that companies introduce a Monthly Variable Component ("MVC"), on top of an AVC, in their wage structure to allow employers to make more timely wage adjustments in response to changes in business conditions. This would minimise the need to resort to CPF contribution rate reductions, which employees depend on to service mortgage repayments, as well as medical and old age needs.

23. In 2003, there was renewed urgency to enhance Singapore's wage flexibility following the SARS outbreak. In response to the NWC's call for wage restructuring, the Tripartite Taskforce on Wage Restructuring developed a

⁶ The NWC recommended then that companies implement a FWS with the following main features – a basic wage to reflect the value of the job and provide stability to an employee's income, an Annual Wage Supplement of one month's basic wage which may be adjusted under exceptional circumstances and a variable wage component based on company and individual performance which could be paid yearly or half-yearly.

comprehensive set of recommendations⁷ in 2004 on implementing the FWS. However, in 2019, only 29.3% of employees had both the MVC and AVC in their wage structure⁸.

Employers who have yet to Implement the Flexible Wage System

24. There is strong tripartite agreement that as part of emerging stronger, every employer who has not done so should urgently implement the FWS, in particular the MVC and AVC, and for all employees to support this effort. A flexible and competitive wage structure will enable employers to continue to make quick adjustments amidst economic uncertainty so as to sustain their businesses, and maintain their capacity for eventual business recovery. In turn, the FWS will provide greater job security for employees and ensure that wages are fairly and more quickly restored in tandem with eventual business recovery.

25. Employers who have yet to implement the FWS can treat any wage cuts already made as adjustments to a new MVC or AVC, as shown in the illustrations in Annex A. If further build-up is necessary to achieve the proportion of variable wage components recommended under the FWS, this can be done through the transfer of part of basic wages or through future wage increases. As building up the MVC and AVC through future wage increases alone in the present economic climate is likely to be slow in many sectors, the NWC recommends employers to do both (see Illustration 1 in Annex A).

26. As a general principle, wage cuts should be made by adjusting the MVC and AVC and not the basic wage component. However, given the exceptional circumstances of COVID-19, employers may consider temporary reduction of basic wages after the variable components have already been adjusted, if necessary to save jobs. Any reduction of basic wages should be restored first, in tandem with business recovery (see Illustration 2 in Annex A).

27. For advice and support on implementing the FWS, employers may approach the National Trades Union Congress (“NTUC”) and its affiliated unions, and the Singapore National Employers Federation (“SNEF”).

⁷ The Tripartite Taskforce’s report can be found at https://www.tripartism.sg/assets/files/Report_on_Wage_Restructuring_Book1.pdf

⁸ 0.3% of employees had only the MVC in their wage structure, 60.7% had only the AVC, and 9.8% of employees had neither the MVC nor the AVC.

Other Updates to NWC 2020/2021 Guidelines

28. ***Progressive Wage Model (“PWM”).*** In the cleaning, security and landscaping sectors with mandatory PWM, some employees have undertaken additional work and tasks during the pandemic, including the implementation of safe management measures. The NWC believes that the previously agreed PWM wage increments are well-justified and supports their continuation even during this time, and will leave discussions on continuing wage progression to the respective tripartite committees. In addition, service buyers and providers should continue to abide by tripartite advisories ensuring the sustainability of the PWM sectors and other outsourced sectors in view of COVID-19.

29. ***Self-employed Persons (“SEPs”).*** The NWC notes that the income of several groups of SEPs have been impacted by COVID-19. Service-buyers and intermediaries should support SEPs by:

- a. Avoiding cancellation of projects, where possible;
- b. Providing advance or timely partial payments for work done or costs incurred for projects deferred or interrupted by COVID-19; and
- c. Encouraging SEPs to tap on the various employment facilitation services available.

30. ***Employers that have done well and have good business prospects.*** Such employers should bring forward their hiring plans and also tap on the Jobs Growth Incentive which provides wage subsidies to hire locals. They should also upgrade jobs through job redesign, taking into account the need for long-term manpower planning in view of international restrictions on the movement of people. Such employers should also consider rewarding employees fairly through variable payments.

Implementation of Recommendations

31. The NWC reiterates the call for employers, unions and employees, and the Government to stay united and work together to mitigate the impact of COVID-19. The current uncertainties in the economic and labour market outlooks make it all the more important for employers, unions and employees, and the Government to have mutual trust, and be willing to adopt a constructive give-and-take approach to help businesses succeed and save jobs. In this way, Singapore can emerge stronger from this crisis.

Illustration 1 – Implementing the FWS after a 5% monthly wage cut

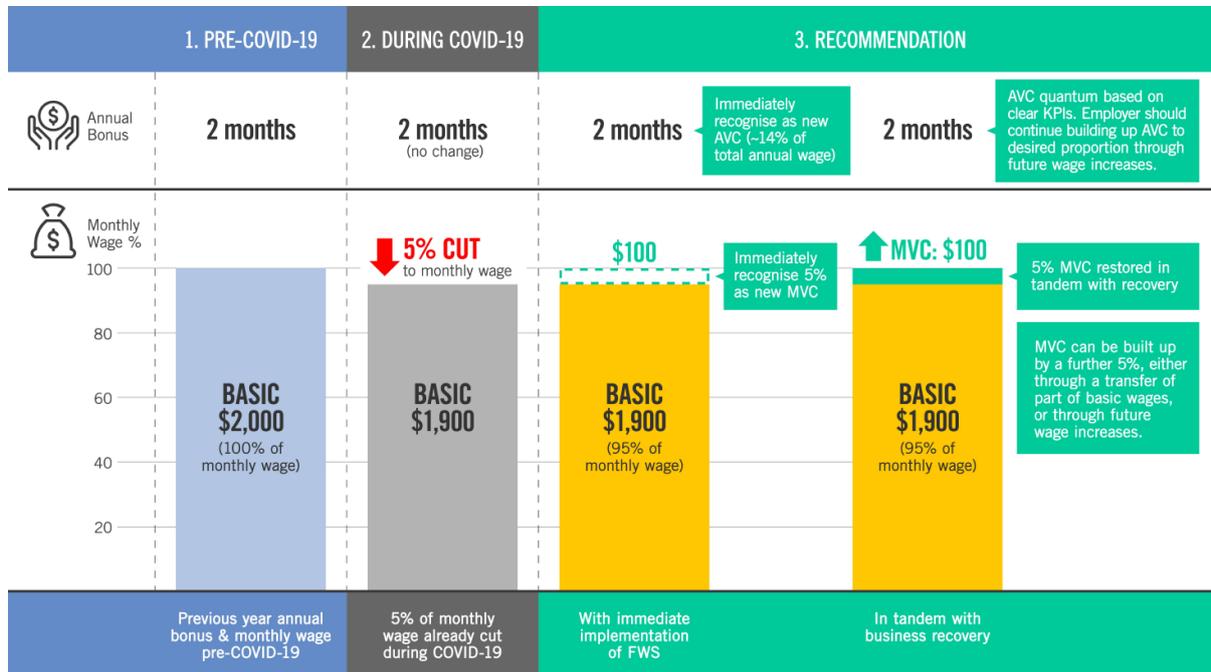
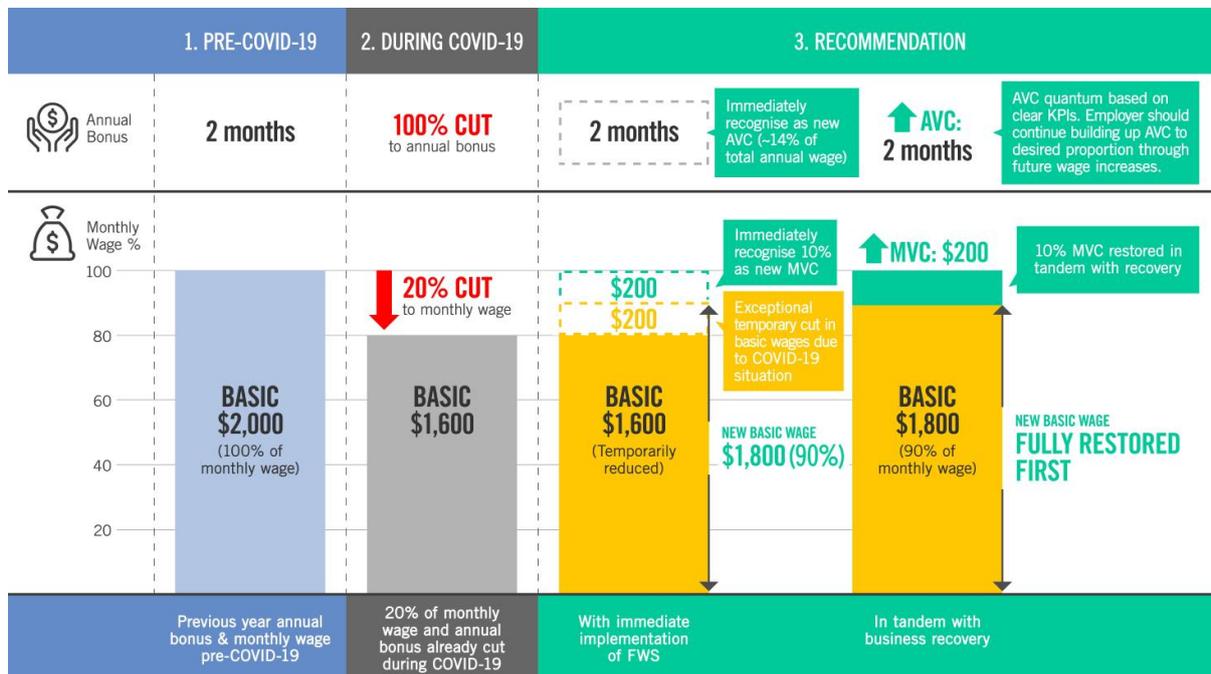


Illustration 2 – Implementing the FWS after deeper cuts to monthly wage and annual bonuses in exceptional circumstances



NATIONAL WAGES COUNCIL (NWC) 2020/2021 GUIDELINES

WAGE AND TRAINING RECOMMENDATIONS

1. The National Wages Council (“NWC”) convened in March 2020 to formulate wage guidelines for the period from 1 April 2020 to 30 June 2021. These 2020/2021 Guidelines will supersede the 2019/2020 Guidelines with effect from 1 April 2020.

An Unprecedented Crisis

2. The ongoing COVID-19 pandemic presents significant challenges to the global economy. The outbreak has now spread beyond China to other major economies such as the US and Europe, and the public health measures taken to contain the outbreak are causing widespread economic disruptions. In Singapore, the outbreak has severely affected our economy. The sharp fall in international travel and tourist arrivals has badly hit our air transport and tourism sectors. Other consumer-facing sectors such as food services and retail trade have also been adversely affected by the decline in tourist arrivals as well as the cutback in domestic consumption. At the same time, outward-oriented sectors such as manufacturing and wholesale trade face a sharp fall in external demand as the outbreak takes a toll on the global economy.

3. Based on the Ministry of Trade and Industry’s (“MTI”) advance estimates for the first quarter of 2020, the Singapore economy contracted by 2.2% on a year-on-year basis and 10.6% on a quarter-on-quarter seasonally-adjusted annualised basis. Taking into account the challenging external and domestic situation, MTI has further downgraded Singapore’s GDP growth forecast for 2020 from “-0.5% to 1.5%” to “-4.0% to -1.0%”.

4. The Government has dedicated close to \$55 billion to respond to COVID-19, amounting to 11% of our GDP. This includes the \$48 billion Resilience Budget and the \$6.4 billion in the Unity Budget committed towards the Stabilisation and Support Package (“SSP”), the Care and Support Package, and to support our frontline agencies.

Staying United to Respond to COVID-19

5. The NWC calls on employers, unions & workers, and the Government to stay united and work together, to mitigate the impact of COVID-19 and position

Singapore for eventual recovery. To sustain businesses and save jobs, employers should consider the following (in order of priority):

- a. First, reduce non-wage costs, and consider various measures to utilise and manage excess manpower.
- b. Second, tap on Government support to offset business and wage costs, and press on with business and workforce transformation.
- c. Third, trim wage costs.
- d. Fourth, if it is necessary to retrench workers as a last resort, ensure it is done in a responsible manner.

Reducing Non-Wage Costs and Managing Excess Manpower

6. The NWC notes that the Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchments (“the Tripartite Advisory”) was updated in March 2020. The NWC reaffirms the approach of having employers recognise the need to take a long-term view of their manpower needs, including the need to maintain a strong Singaporean core, notwithstanding the economic uncertainty brought on by COVID-19.

7. The NWC recommends the following to reduce non-wage costs and manage excess manpower:

- a. Focus on training and upskilling. See the next section for the NWC’s training recommendations.
- b. Adopt Flexible Work Schedules⁹. Flexible Work Schedules allow employers to optimise the use of manpower when they go through cyclical troughs and peaks. Under a Flexible Work Schedule, employers can reduce weekly working hours without adjusting wages, by creating a “timebank” of unused working hours. These banked hours can then be used to offset the increase in working hours in subsequent periods.
- c. Support affected local employees who wish to seek a second job to supplement their income. Employers that implement job-sharing arrangements, shorter work-week, or temporary layoffs should support employees who are interested to take on part-time or temporary work for another employer.

⁹ For more information, refer to <https://www.mom.gov.sg/employment-practices/flexible-work-schedule>

8. To help companies save jobs, employees are also urged to support employers' cost-cutting measures and reasonable efforts to manage excess manpower. Unemployed workers should also take advantage of training support schemes to upgrade themselves and be flexible in accepting new job opportunities.

Pressing on with Business and Workforce Transformation

9. The Government has provided significant wage offsets to ease business costs. For example, under the enhanced and extended Jobs Support Scheme, the Government will co-fund 25% of the gross monthly wages of each local employee, up to a monthly wage cap of \$4,600. Firms in the food services sector will receive higher support, at 50% of wages, and firms in the aviation and tourism sectors, which are the most badly affected sectors, will be supported at 75% of wages.

10. The NWC strongly encourages all employers to make full use of Government support measures to press on with business and workforce transformation. Singapore should remain focused on longer-term industry transformation throughout this period. For employers that are seeing declines in business volume, the NWC urges them to use this period to accelerate the implementation of business and workforce transformation initiatives. Employers that do this will gain a competitive advantage and be better prepared to grow when the economy recovers.

11. The NWC makes the following recommendations:

- a. Bring forward planned training for employees. In last year's guidelines, the NWC recommended that all employers develop a training plan that meets their current and future requirements, drawing reference from the relevant Skills Frameworks. Employers that have done so should now bring forward planned training, putting employees' downtime to productive use.

Employers that have yet to develop training plans should seek help from the National Centre of Excellence for Workplace Learning ("NACE"), Singapore National Employers Federation ("SNEF"), Singapore Business Federation ("SBF"), other trade associations & chambers, the unions and NTUC LearningHub.

SkillsFuture Singapore (“SSG”) offers extensive course fee subsidies and absentee payroll support. Sectors that have been particularly impacted by COVID-19 will receive further support under the SSP, in the form of enhanced course fee subsidies.

b. Bring forward implementation of productivity initiatives. Employers should:

i. Redesign jobs and train their employees for these new jobs. Under the SSP, WSG has made the Job Redesign and Redeployment programmes more attractive for sectors most affected by COVID-19. Under the Next Bound of SkillsFuture, the Productivity Solutions Grant has also been expanded to include job redesign consultancy services.

ii. Invest in training all employees in emerging skills, so that they continue to be employable and are not at risk of redundancy. Eligible employers can also tap on the new SkillsFuture Enterprise Credit to defray 90% of out-of-pocket expenses for business transformation, job redesign and skills training.

c. Set up a Company Training Committee (“CTC”) with the labour movement. More than 350 CTCs have already been established, and they are helping employers to build up their in-house workplace learning capabilities, conduct Ops-Tech Roadmapping, and re-strategise their business.

d. Share productivity gains with their employees. Employers that do this will benefit from the enhanced Wage Credit Scheme, which subsidises qualifying wage increases for Singaporeans.

Wage Recommendations for All Workers

12. The NWC recognises that notwithstanding efforts to reduce non-wage costs, manage excess manpower, and use the lull to invest in business transformation and workforce training, employers may still find it necessary to trim wage bills in order to save jobs. The NWC therefore makes the following general wage recommendations:

a. Employers that are adversely impacted by COVID-19 and face uncertain prospects may exercise wage reduction, with management leading by example. Depending on their financial position and prospects, these employers may consider reducing variable payments, in accordance

with the Tripartite Advisory. As wage reduction measures affect the livelihood of employees, especially over an extended period of time, employers should seek the consent of unions and engage employees before implementing such measures.

b. The NWC notes that given the adverse impact from COVID-19, fewer employees are working overtime and receiving overtime pay. Employees with commission-based variable payments or who have been asked to go on no-pay leave would also already have had their overall wages impacted. For these employees, employers should take such factors into account if they are considering a reduction in other wage components.

c. If monthly wage levels are unsustainable given the fall in demand, employers can consider adjusting monthly variable wage components.

i. Under the flexible wage system¹⁰, the Monthly Variable Component (“MVC”), which is part of the basic wage, allows employers to adjust wages quickly in response to changes in the business environment without having to wait until the end of the year to adjust variable bonus payments and other annual variable components. Employers can consider adjusting the MVC downwards. The extent of the adjustment would depend on the employer’s situation and any key performance indicators or guidelines for triggering an MVC cut as agreed with the union (if company is unionised) or employees.

ii. For the rest of employers that have not implemented the MVC but need to adjust monthly wages downwards, they could consider treating any cut in basic wages of up to 10% as an MVC cut. In the case of management, depending on the circumstances and requirements of the company, the MVC set aside could be more than 10% of basic wages, in line with the principle of leadership by example.

iii. Employers should set clear guidelines to restore MVC or basic wage cuts through future wage increases or adjustments when business recovers.

d. As far as possible, employers should endeavour to pay their employees the Annual Wage Supplement. Recognising employees fairly will enable these employers to retain and inspire loyalty in their workforce and be well positioned for the recovery.

¹⁰ The flexible wage system is a key recommendation of the NWC since 1986. In the most recent survey, 88% of private sector employees already work in establishments with some form of flexible wage system.

e. Any reduction of wages should be applied to local and foreign employees fairly.

13. Companies that have done or are still doing well. At the same time, the NWC recognises that some employers will have done well despite the general economic situation. These employers should continue to reward employees with variable payments commensurate with the company's performance and the employees' contributions. If their business prospects are uncertain, they may exercise moderation in built-in wage increases.

14. Softening impact on Low-Wage Workers. The NWC recognises that any wage adjustment would have a disproportionately larger impact on low-wage workers. Hence, it strongly recommends that employers give special consideration to such workers, particularly those serving in the frontline of the COVID-19 response. Where wage reductions are necessary, employers should adopt a graduated approach, with deeper reductions at the management level and for higher-wage employees to effect the desired extent of reduction in total wage cost.

a. For low-wage workers earning a basic monthly wage of up to \$1,400, the NWC recommends differentiated treatment:

i. If employers are implementing a policy of wage reduction, then, with respect to such workers, to implement a wage freeze instead.

ii. If employers are implementing a policy of wage freeze or wage increase, then, with respect to such workers, to consider a built-in wage increase of up to \$50 instead.

b. Where employers can afford to, they should provide special consideration to workers who have stepped up to assist the business during this challenging period. This could be in the form of an *ex gratia* payment, depending on business performance.

Responsible Retrenchment

15. If retrenchment is necessary despite all of the above measures and wage adjustments, the NWC calls on employers to conduct retrenchment exercises in a responsible manner, as set out in the Tripartite Advisory.

a. When carrying out a retrenchment exercise, the selection of employees for retrenchment should be conducted fairly, based on objective

criteria such as the ability of the employee to contribute to the company's future business needs. Discrimination against local employees, for example, will not be tolerated by the Government.

b. Employers should submit Mandatory Retrenchment Notifications to the Ministry of Manpower, and consult their relevant unions if they are unionized, as early as possible.

c. Employers should provide longer notice periods to the extent practicable for employees who will be retrenched, beyond the minimum requirements covered under the Employment Act.

d. Employers should provide retrenchment benefits in line with the Tripartite Advisory.

e. Employers should help affected employees look for alternative jobs in associate companies, in other companies or through outplacement assistance programmes. Employers can work with the unions, SNEF, SBF, WSG, NTUC's e2i, Job Security Council, U PME Centre, or any other relevant agencies, to provide employment facilitation services to help the affected employees.

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. In view of the rapid changes in the economic situation, the NWC will reconvene to review the wage guidelines as and when the situation warrants it.