N A T I O N A L W A G E S C O U N C I L
S I N G A P O R E

Chairman: Prof. Lim Chong Yah
(Tel: 2560451)

c/o ECONOMIC DEVELOPMENT BOARD
2nd Floor, Fullerton Building,
Singapore, 1.
Republic of Singapore

Tel: 982111

Our Ref:-

Your Ref:-

PRESS RELEASE ON 23 JUNE 79.

12 June 79

Mr Lee Kuan Yew
Prime Minister
Singapore

Dear Mr Lee

1979 NWC GUIDELINES

1 Urgent Need To Restructure The Economy

1.1 The NWC wage guidelines of the last 3 years together with Singapore's rapid pace of economic expansion have led to an unforeseen increase in the demand for labour resulting in excessive job-hopping and over-dependence on foreign workers. Wages must therefore be allowed to rise to reflect market forces and stimulate the most efficient use of manpower.

1.2 Unless this is done, we will be caught in the trap of low wage increases to support labour-intensive, low-skill industries and services. Low wage increases will enable such industries to expand further and use even more labour unproductively. Moreover, new and better industries will be hampered by labour shortages.

Productivity will suffer and consequently our growth in per capita income will be less than our potential. The continued inflow of foreign workers, if unchecked, will pose serious social and political problems for our small island Republic.

1.3 The NWC is therefore of the view that there is an urgent need to resume the policy that we adopted prior to the oil crisis of 1973 to restructure the economy to a higher technological level through higher productivity and better wages. It is imperative that we adopt a wage policy over the next few years which will encourage more productive use of labour through increasing mechanisation, better managerial organisation and greater labour motivation.

1.4 If Singapore is to survive in a harshly competitive world, the skill and technology content of our manufactured products and services, and our standards of job performance must constantly be raised to higher levels than those of other competing countries, both in the Asian region and elsewhere.

1.5 Workers and managements must therefore resolve to exorcise restrictive and unproductive patterns and habits of work. Productivity increases necessarily mean that fewer better trained and better paid workers must be able to produce significantly more in terms of both quantity and quality, than what larger numbers of workers produce.

1.6 Some temporary unemployment may be expected as a result of the wage increase guidelines this year. Workers released from low-wage and labour-intensive areas of employment will have to be speedily and effectively trained for more productive and high-wage employment in other areas.

2 Wage Increase Guidelines

2.1 The NWC recommends a substantial increase in national wage costs for the NWC year 1 July 1979 to 30 June 1980. This will take the form of

(a) a wage increase guidelines of $32 + 7% with full offsetting of all forms of increases in remuneration on a group basis;

(b) an additional 4% in the rate of monthly CPF contribution to be paid by employers only; and

(c) a further 2% of monthly wage or $5 whichever is the higher to be paid by all employers, public and private, for each employee earning not more than $750 per month on an individual basis. This contribution will be paid into a Skills Development Fund to help raise the skill levels of our workers. This Fund should be administered on a tripartite basis.

2.2 For employees who have reached the maximum of their pay scales, the wage increase guidelines under 2.1(a) should be one half of the recommended wage adjustment and be held personal to the holders.

3 Group Offsetting

3.1 The principle of group offsetting introduced since 1976 is again recommended for this year. The formula for group offsetting is set out in Annex I. The amount to be offset is the increase in the total annual wage bill arising from annual increments, merit increments, collective agreement wage adjustments, pro-rated bonuses and annual wage supplements and other forms of remuneration but excluding promotion increments, CPF contributions by employers, overtime payments and fringe benefits.

3.2 Where the percentage wage increase as calculated in accordance with the formula is less than 7%, say 4%, the bargainable employees will be paid the NWC wage adjustment of $32 plus (7% - 4%), or $32 plus 3% of individual salaries.

3.3 Where the percentage wage increase is equal to 7%, the bargainable employees will be paid $32 plus (7% - 7%), or $32 as the NWC wage adjustment.

3.4 Where the percentage wage increase is greater than 7%, say 8%, the bargainable employees will be paid the NWC wage adjustment of $32 plus (7% - 8%), or $32 minus 1% of individual salaries. If the calculation results in a negative figure for any individual, it shall be disregarded.

4 Denial of NWC Wage Adjustment

4.1 The NWC reiterates its views that NWC wage adjustments, if any, should not be given to employees irrespective of the individual's contribution to the collective effort. To promote productivity, the NWC recommends that employees whose performance in terms of measurable output is unsatisfactory should not be given the NWC wage adjustment. In situations where work performance is not easily measurable, but where employees' work attitudes (eg. attendance, punctuality, observance of safety rules and general conduct) are unsatisfactory, such employees should also be denied the NWC wage adjustment.

4.2 In cases where the normal annual increments have been denied or withheld because of unsatisfactory work, the NWC wage adjustment should also be denied or withheld.

5 Fringe Benefits

5.1 The NWC recommends that unions and managements be encouraged to negotiate for the removal of existing fringe benefits which bear no relevance to a job in exchange for a wage increase of up to a maximum of 2%. This wage increase arising from the trade-off of such fringe benefits should be excluded for the purpose of group offsetting.

5.2 To avoid the extension of fringe benefits, the NWC again recommends that when existing collective agreements are renewed, the range and quantum of fringe benefits should not be increased. The NWC further recommends that this should be monitored by the Ministry of Labour, the NTUC Industrial Affairs Council and employers' organisations.

5.3 For collective agreements with new companies set up by new investors, the NWC recommends that moderation in the provision of fringe benefits should continue to be exercised. Such new investors should be guided by the relevant provisions of the Employment Act and are advised that they are not obliged to go beyond these provisions.

5.4 Where the job requires, fringe benefits such as shift allowances mutually and freely agreed upon between employers and employees may be provided for or enhanced. Fringe benefits which promote productivity may also be encouraged.

5.5 The Industrial Arbitration Court should decline to certify any collective agreement which reintroduces fringe benefits previously traded off.

6 Labour Mobility And Job-Hopping

6.1 The NWC recognises that higher wage adjustments this year will lead to a greater degree of labour mobility, from labour-intensive to more skill-intensive areas of employment, which is in itself desirable. But irresponsible changes of jobs, known colloquially as job-hopping, can continue to affect seriously the efficiency of companies. Therefore, we again recommend that the NWC wage adjustment should not be given to employees with less than 12 months' service, except those who are retrenched, those whose addresses are changed or whose companies are relocated elsewhere, new entrants to the labour market and other cases mutually agreed to by both employers and employees.

6.2 Employees who have undergone training could be bonded, the length of which should be commensurate with the expenses and length of training.

7 Scope of Application

7.1 As in previous years, the recommendations are applicable to all categories of employees including seamen, hourly-rated, daily-rated, weekly-rated, and those employees who are on piece-rates or on probation, but excluding apprentices under full-time approved industrial training schemes.

7.2 Similarly, as in past years, the recommendations do not apply in the private sector to managerial and executive employees who have individual terms of service with their employers, except in cases where such employees are unionised and are subject to collective agreement. Neither need they apply to non-bargainable employees in the public service. However, employers should bear in mind that it does not help industrial morale if non-bargainable staff enjoy disproportionate rewards.

7.3 Similarly, NWC recommendations are not intended solely for unionised employees and their employers. They are national in scope, and it must be emphasised that they are also applicable to non-unionised employees and their employers, big or small.

8 Departures From Guidelines

8.1 Similar to previous NWC wage guidelines, the 1979 guidelines are meant to serve as a basis for negotiation. Employers and employees or their unions are free to depart in either direction from the recommended guidelines by mutual agreement. As the guidelines are only general in nature, flexibility, common-sense and goodwill in implementation, as prevailed in the past, should continue. The NWC recommends that departures must be justified by exceptional circumstances, such as substantial increases or decreases in profitability, productivity or efficiency.

9 Conciliation And Settlement

9.1 Where there is disagreement in implementation, it should be referred to the Ministry of Labour for conciliation, and if unresolved, to the Industrial Arbitration Court for quick and speedy settlement.

10 Acknowledgements

10.1 The NWC would like to thank representatives of various employer organisations and unions as well as individual employers who have presented their views in person to the NWC. Their names and organisations are listed in Annex II.

10.1 We wish also to thank employers' organisations, statutory boards and members of the public who submitted written views on the 1979 NWC guidelines. Last but not least, we would also like to place on record our sincere appreciation to members of the Secretariat for their very able assistance.

11 We look forward to the Government accepting our recommendations.

Yours sincerely

Sgd.: Lim Chong Yah
CHAIRMAN, NATIONAL WAGES COUNCIL
(PROFESSOR OF ECONOMICS & HEAD, DEPARTMENT OF ECONOMICS & STATISTICS, UNIVERSITY OF SINGAPORE)

MEMBERS, NATIONAL WAGES COUNCIL

Sgd.: J D H Neill
(SINGAPORE EMPLOYERS' FEDERATION)

Sgd.: C V Devan Nair
(PRESIDENT, NATIONAL TRADES UNION CONGRESS)

Sgd.: Ngiam Tong Dow
(PERMANENT SECRETARY MINISTRY OF TRADE AND INDUSTRY)

Sgd.: Stephen C Y Lee
(PRESIDENT, NATIONAL EMPLOYERS' COUNCIL)

Sgd.: Phey Yew Kok
(CHAIRMAN, NATIONAL TRADES UNION CONGRESS)

Sgd.: Han Cheng Fong
(PERMANENT SECRETARY MINISTRY OF LABOUR)

Sgd.: Eric T H Gwee
(FIRST DEPUTY CHAIRMAN, SINGAPORE MANUFACTURERS' ASSOCIATION)

Sgd.: G Kandasamy
(SECRETARY FOR INDUSTRIAL AFFAIRS, NATIONAL TRADES UNION CONGRESS)

Sgd.: Yeo Seng Teck
(DIRECTOR, ECONOMIC DEVELOPMENT BOARD representing CHAIRMAN, ECONOMIC DEVELOPMENT BOARD)

ALTERNATE MEMBERS, NATIONAL WAGES COUNCIL

Sgd.: Lim Chee Onn
(SECRETARY GENERAL, NATIONAL TRADES UNION CONGRESS)

Sgd.: Tan Kin Lian
(NATIONAL TRADES UNION CONGRESS)

Sgd.: Tan Peng Boo
(DEPUTY SECRETARY, MINISTRY OF LABOUR)

cc Mr Ong Pang Boon
Minister for Labour

Mr Hon Sui Sen
Minister for Finance

ANNEX I

IMPLEMENTATION OF 1979 NWC RECOMMENDATIONS

Formula For Computing Percentage For Group Offsetting

1. The percentage wage increase for group offsetting is defined as

$$\frac{A}{B} \times 100\%$$

where A = The difference between the wage bills for June 1979 and for July 1978 in respect of all bargainable employees who were continuously on the company's payroll between 1 July 1978 and 30 June 1979

and B = The wage bill for July 1978 in respect of the above bargainable employees

2. The monthly wage bill consists of annual increments, merit increments, collective agreement wage adjustments, one-twelfth of bonuses and annual wage supplements and other forms of remuneration, but excludes promotion increments, CPF contributions by employers, overtime payments and fringe benefits. It is only applicable to bargainable employees continuously in employment between 1 July 1978 and 30 June 1979.

3. For companies which have employees whose dates of annual increments, merit increments or collective agreement wage adjustments fall on 1 July, the formula should be slightly modified as follows:

(i) Add to the numerator (A) the amount of annual increments, merit increments or collective agreement wage adjustments due or paid in July 1978 to all those employees whose dates for such payments fall on 1 July.

(ii) Subtract from the denominator (B) the amount of annual increments, merit increments or collective agreement wage adjustments due or paid in July 1978 to all those employees whose dates for such payments fall on 1 July.

Example:

ABC COMPANY

Payment made in respect of all bargainable employees continuously on the company's payroll between 1.7.78 and 30.6.79		July 1978 ($)	June 1979 ($)
1.	Wages (including 1972-1978 NWC increases, annual increments, merit increments, collective agreement wage adjustments and other forms of remuneration)	37,500	38,330
2.	Annual increments, merit increments and collective agreement wage adjustments due or paid wef. 1 July 1978	750	750
3.	1/12 of bonuses or annual wage supplements paid in NWC years 1977 and 1978	3,300 (1/12 of $39,600*)	3,320 (1/12 of $39,840*)
4.	Monthly wage bill [(1) + (3)]	40,800	41,650

* This amount excludes the bonus or annual wage supplements of those employees who had not received the full amount of bonus or annual wage supplements in the NWC years 1977 and 1978

The percentage wage increase for group offsetting for ABC Company

$$= \frac{(\$41,650 - \$40,800) + \$750}{\$40,800 - \$750} \times 100\%$$

$$= 4.0\%$$

CALCULATION OF NWC WAGE ADJUSTMENT FOR EMPLOYEES FOR 1979

Dollars

Monthly Wage of Employees	NWC 1979 Of $32 + 7%	I Assuming Percentage For Group Offsetting of 8%		II Assuming Percentage For Group Offsetting of 7%		III Assuming Percentage For Group Offsetting of 4%	
		Amount Offset 8%	NWC 1979 Adjustments $32 + (7%-8%) = $32 - 1%	Amount Offset 7%	NWC 1979 Adjustments $32 + (7%-7%) = $32	Amount Offset 4%	NWC 1979 Adjustments $32 + (7%-4%) = $32 + 3%
100	39	8	31	7	32	4	35
200	46	16	30	14	32	8	38
300	53	24	29	21	32	12	41
400	60	32	28	28	32	16	44
500	67	40	27	35	32	20	47
600	74	48	26	42	32	24	50
700	81	56	25	49	32	28	53
800	88	64	24	56	32	32	56
900	95	72	23	63	32	36	59
1,000	102	80	22	70	32	40	62

ANNEX II

LIST OF REPRESENTATIVES WHO PRESENTED VIEWS IN PERSON TO THE NATIONAL WAGES COUNCIL DURING THE 8TH SESSION

I Employers' Representatives

	Name	Designation	Organisation
1.	Mr Larry Myers	Chairman	American Business Council
		Managing Director	Sundstrand Pacific Pte Ltd
2.	Mr Richard Love	Vice Chairman	American Business Council
		Managing Director	Hewlett-Packard Singapore Pte Ltd
3.	Mr K Mito	Councillor	Japanese Chamber of Commerce & Industry
		Managing Director	Hitachi Shipbuilding & Engineering Co Ltd
4.	Mr K Yasukawa	Chairman of the Management Study Committee	Japanese Chamber of Commerce & Industry
		Director	Fujitsu (S) Pte Ltd
5.	Mr Y Hayashi	Member of the Management Study Committee	Japanese Chamber of Commerce & Industry
		General Manager	Singapore Time (Pte) Ltd
6.	Mr S Kobayashi	Member of the Management Study Committee	Japanese Chamber of Commerce & Industry
		Managing Director	Hitachi Metals (S) Ltd
7.	Mr T Sato	Managing Director	Murata Electronics (S) Pte Ltd.
8.	Mr Eric Ng	Personnel Manager	NMB Singapore Ltd
9.	Dr Wong Kwei Cheong	Executive Committee Member	Singapore Manufacturers' Association
		Managing Director	Aiwa-Atlas Electronics (S) Pte Ltd

	Name	Designation	Organisation
10.	Mr Lam Thian	Executive Committee Member and Group B Committee Chairman	Singapore Manufacturers' Association
		Managing Director	Union Garment Mfy (Pte)Ltd
11.	Mr F W Aldag	New Chairman	German Business Council
		Managing Director	Rollei Singapore Pte Ltd
12.	Mr W Meer	Outgoing Chairman	German Business Council
		Managing Director	Siemens Components Pte Ltd
13.	Mr Chua Chor Teck	President	Singapore Association of Shipbuilders & Repairers
		Managing Director	Keppel Shipyard Ltd
14.	Mr Low Guan Onn	Vice President	Singapore Association of Shipbuilders & Repairers
		Managing Director	Jurong Shipyard Ltd
15.	Mr Lai Park On	Committee Member	Singapore Association of Shipbuilders & Repairers
		Executive Director & Personnel Manager	Mitsubishi Singapore Heavy Industries (Pte) Ltd
16.	Mr D M Brown	Chairman	Singapore International Chamber of Commerce
		Chairman	Harper-Gilfillan (S) Pte Ltd
17.	Mr C N Watson	Committee Member	Singapore International Chamber of Commerce
		Managing Director	Sembawang Shipyard Ltd
18.	Mr R MacLean	Executive Director & Secretary	Singapore International Chamber of Commerce
19.	Mr Teoh Khoon Keah	Director of Personnel	Guthrie Berhad
20.	Mr G G James	Chief Manager	The Chartered Bank

II Union Representatives

	Name	Designation	Organisation
1.	Mr J A Nonis	President	Singapore Manual & Mercantile Workers' Union
		Chief Clerk	Boustead Shipping Agencies Singapore Pte Ltd
2.	Mrs Cheong Swee Hong	Industrial Relations Officer	Singapore Manual & Mercantile Workers' Union
3.	Mr A Rahman	Vice President	Food, Drinks & Allied Workers' Union
		Storekeeper	Cold Storage (S) Pte Ltd
4.	Mr Tan Soon Yam	General Secretary	Food, Drinks & Allied Workers' Union
5.	Mr Achuthan Choi	President	United Workers of Petroleum Industry
		Technician	Esso Singapore Pte Ltd
6.	Mr Lai Weng Hoi	Assistant General Secretary	United Workers of Petroleum Industry
		Chemist	Mobil Oil Singapore Pte Ltd
7.	Mr Eddie Teng	General Secretary	Singapore Bank Employees' Union
		Clerk	Hongkong & Shanghai Banking Corporation
8.	Mr Vincent Chua	Committee Member	Singapore Bank Employees' Union
		Clerk	Bangkok Bank Ltd