Wage Practices for Lower-wage Employees 2023 and Forward Expectations of Establishments



Manpower Research and Statistics Department
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WAGE PRACTICES FOR LOWER-WAGE EMPLOYEES 2023 AND FORWARD EXPECTATIONS OF ESTABLISHMENTS

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Director
Manpower Research and Statistics Department
Ministry of Manpower
18 Havelock Road #05-01
Singapore 059764
Republic of Singapore

Email: mom_rsd@mom.gov.sg

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Abbreviations

LQS: Local Qualifying Salary
MOM: Ministry of Manpower
MTI: Ministry of Trade and Industry
NWC: National Wages Council
PWM: Progressive Wage Model
SSIC: Singapore Standard Industrial Classification

Highlights

- More establishments are uplifting their lower-wage employees in recent years. The proportion of establishments that provided wage increases to their lower-wage employees almost doubled from 43.9% in 2021 to 81.3% in 2023. This has allowed wages of lower-wage employees to continue growing.[1]

- Although more establishments provided wage increases to their lower-wage employees in 2023, most provided wage increases that were lower than what National Wages Council (NWC) recommended. Even though 3 in 5 establishments were aware of the NWC's 2023 recommended guidelines for lower-wage employees, the proportion of establishments which adopted the guidelines remained low at 27.6%, a slight decline from 2022 (30.1%). The low adoption rate partly reflects the expansion of the NWC's guidelines to cover a wider group of lower-wage employees and the provision of a higher recommended wage increase to these employees.[2] This meant that it was more costly for establishments to provide wage increases to their lower-wage employees.

- Compared to a year ago, adoption rates rose for Progressive Wage Model (PWM) sectors such as the *Cleaning, Security and Landscape*, *Retail Trade* and *Food & Beverage Services* in 2023, but declined in other sectors. Adoption rates were also higher in PWM sectors compared to non-PWM sectors. Going forward, we expect adoption rates to rise further as PWM wage requirements continue to increase, alongside the increase in Local Qualifying Salary (LQS) from $1,400 to $1,600 in 2024, thereby benefitting more lower-wage employees.

- A majority of establishments expect to remain profitable in 2024. Establishments also expect business cost to moderate as inflation eases in 2024. As fewer establishments expect to cut wages of their employees in 2024 compared to 2023, and more expect to hold wages constant, we expect nominal wage growth in 2024 to remain similar to 2023.

[1] The P20 gross monthly income (GMI) from work (including employer CPF) of full-time employed residents increased from $2,779 in 2022, to $2,826 in 2023. Source: Comprehensive Labour Force Survey, Manpower Research & Statistics Department, MOM.
[2] In 2023, 347,000 lower-wage employees were covered by the NWC's guidelines for lower-wage workers, an increase from the 292,000 in 2022. In 2023, the quantum of recommended wage increase for lower-wage employees was $85-$105 or 5.5-7.5%, whichever was higher, and this was higher than in 2022 ($80--$100 or 5.5-7.5%). More information is available in Annex A.

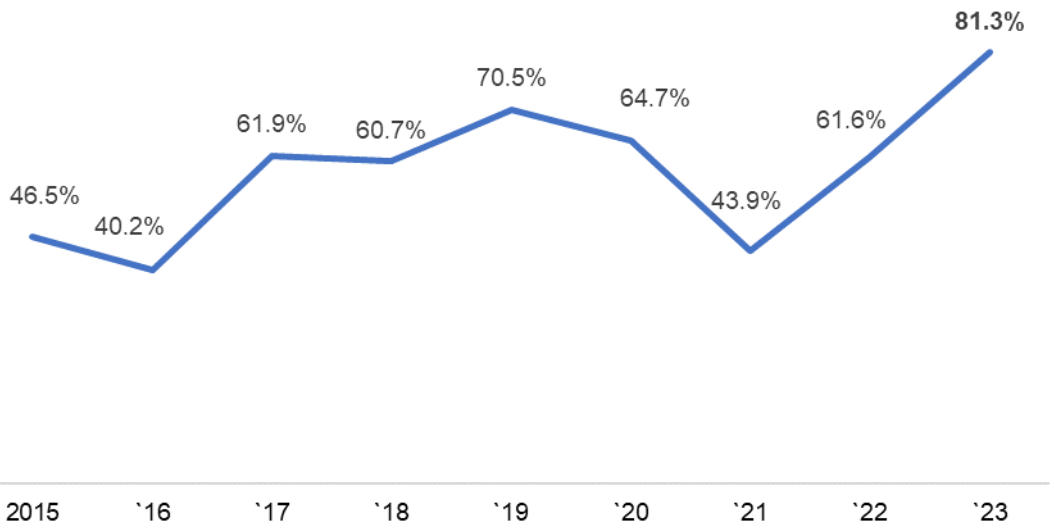
1 Introduction

1.1 This report examines establishments' wage practices for their lower-wage employees[3], including whether they adopted the recommendations of the 2023/2024 National Wages Council's (NWC's) Guidelines[4] and establishments' expectations on profitability and business cost. The findings are based on data from the Survey on Annual Wage Changes[5], which covered private establishments with at least 10 employees. The survey coverage and methodology are explained in Annex B.

2 Wage increases for lower-wage employees

2.1 More establishments are uplifting their lower-wage employees in recent years. The proportion of establishments that provided wage increases to their lower-wage employees almost doubled from 43.9% in 2021 to 81.3% in 2023. This has allowed wages of lower-wage employees to continue growing.[6]

Chart 1: Proportion of establishments that gave wage increases to lower-wage employees



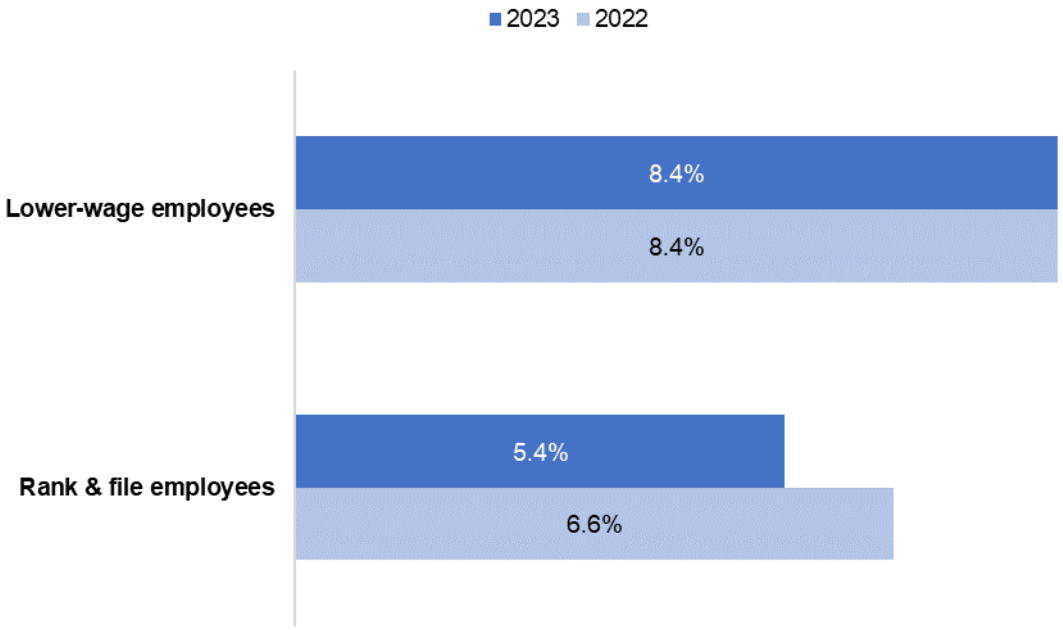
Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:
(1) Based on private sector establishments (each with at least 10 employees) with lower-wage employees.
(2) Lower-wage employees refer to employees earning a basic monthly wage of $1,100 (2015 and 2016) / $1,200 (2017) / $1,300 (2018) / $1,400 (2019 and 2020), or gross monthly wage of $2,000 (2021) / $2,200 (2022) / $2,500 (2023) and below.
(3) The proportion of establishments that gave wage increases to lower-wage employees performing outsourced work was 94.1% in 2023.

[3] In 2023, lower-wage employees refer to employees earning a gross monthly wage of $2,500 and below. In earlier years, it refers to employees earning up to a basic monthly wage of $1,100 (2015 & 2016) /$1,200 (2017) /$1,300 (2018) /$1,400 (2019 & 2020), or gross monthly wage of $2,000 (2021) /$2,200 (2022).
[4] Released in October 2023.
[5] Data pertain to full-time resident employees in continuous employment of at least a year. This removes the effect of compositional changes such as job change and new entrants.
[6] The P20 gross monthly income (GMI) from work (including employer CPF) of full-time employed residents increased from $2,779 in 2022, to $2,826 in 2023. Source: Comprehensive Labour Force Survey, Manpower Research & Statistics Department, MOM.

2.2 The average amount provided to lower-wage employees remained high in 2023 (8.4%), and was comparable to 2022. This magnitude of increase was also higher than those provided to rank & file employees in 2023 (5.4%).

Chart 2: Quantum of built-in wage increase for rank & file and lower-wage employees



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

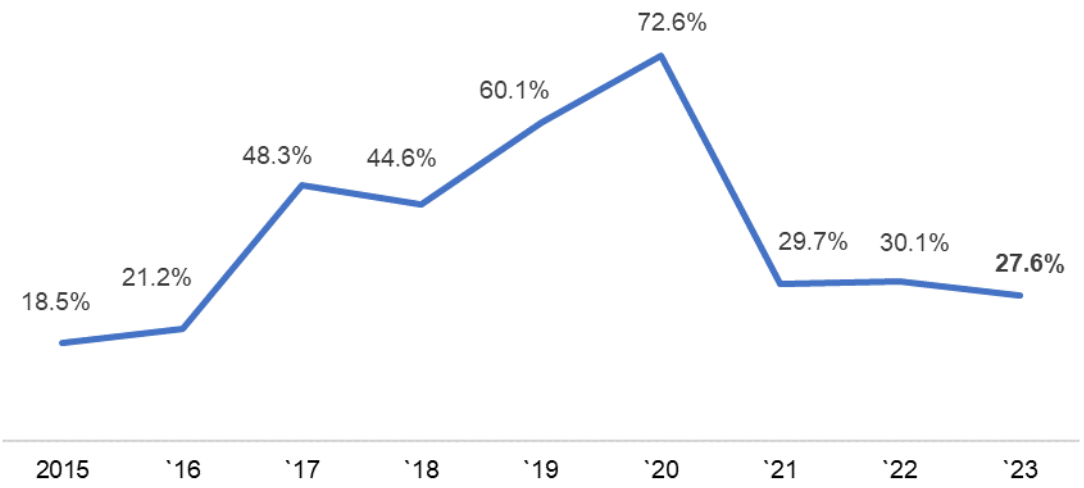
Notes:
(1) Data are based on private sector establishments (each with at least 10 employees) with lower-wage employees and gave built-in wage increases to these employees.
(2) Lower-wage employees refer to employees earning a gross monthly wage of $2,200 (2022) / $2,500 (2023) and below.
(3) The quantum of built-in wage increase for lower-wage employees performing outsourced work was 12.1% in 2023.

3 Establishments' responses to NWC's guidelines for lower-wage employees

3.1 Although more establishments provided wage increases to their lower-wage employees in 2023, most provided wage increases that were lower than what NWC recommended. Even though 3 in 5 establishments were aware of the NWC's 2023 recommended guidelines for lower-wage employees, the proportion of establishments which adopted the guidelines remained low at 27.6%, a slight decline from 2022 (30.1%).

3.2 The low adoption rate partly reflects the expansion of the NWC's guidelines to cover a wider group of lower-wage employees and the provision of a higher recommended wage increase to these employees.[7] This meant that it was more costly for establishments to provide wage increases to their lower-wage employees.

Chart 3: Proportion of establishments that adopted NWC's guidelines for lower-wage employees



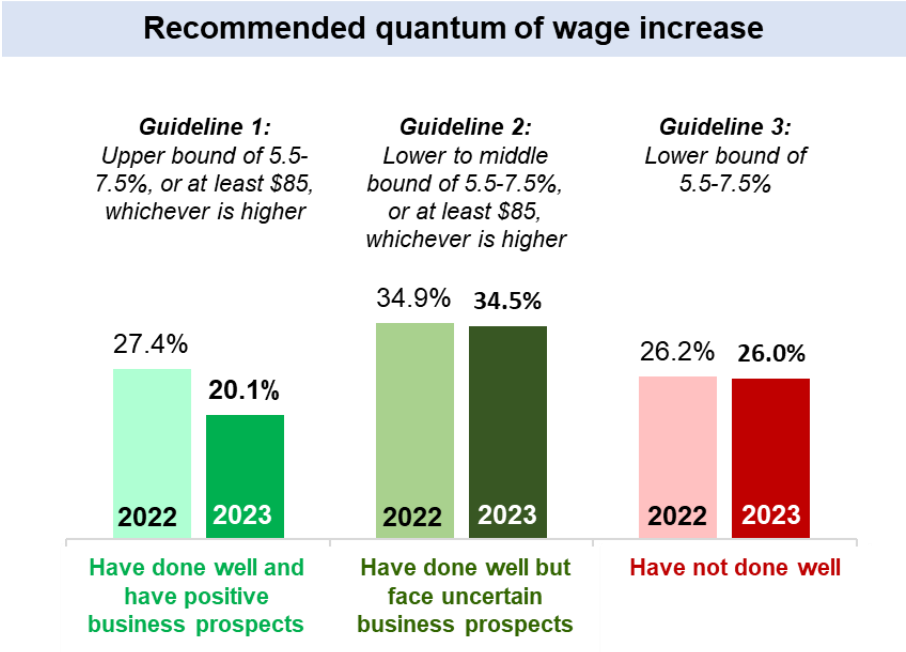
Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:
(1) Data are based on private sector establishments (each with at least 10 employees) with lower-wage employees.
(2) Lower-wage employees refer to employees earning a basic monthly wage of $1,100 (2015 and 2016) / $1,200 (2017) / $1,300 (2018) / $1,400 (2019 and 2020), or gross monthly wage of $2,000 (2021) / $2,200 (2022) / $2,500 (2023) and below.

[7] In 2023, 347,000 lower-wage employees were covered by the NWC's guidelines for lower-wage workers, an increase from the 292,000 in 2022. In 2023, the quantum of recommended wage increase for lower-wage employees was $85-$105 or 5.5-7.5%, whichever was higher, and this was higher than in 2022 ($80--$100 or 5.5-7.5%). More information is available in Annex A.

3.3 The decline in the overall adoption rate was mainly due to establishments that have done well and have positive business prospects. This was because these establishments tended to provide wage increases around the lower bound of the guidelines (i.e. around 5.5%), instead of the upper bound which they were recommended to provide.

Chart 4: Proportion of establishments that adopted NWC's guidelines for lower-wage employees, 2022-2023



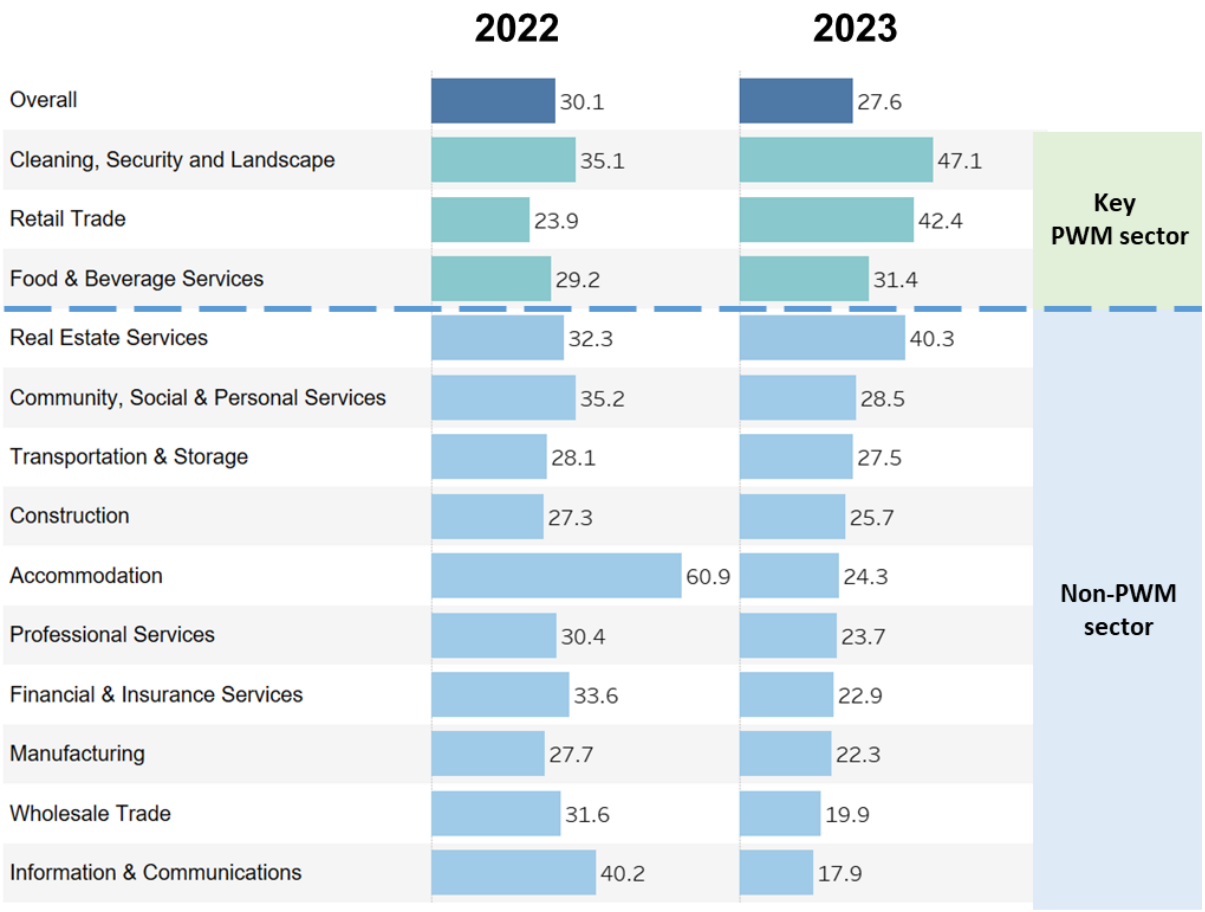
Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:
(1) Data are based on private sector establishments (each with at least 10 employees) with lower-wage employees.
(2) Lower-wage employees refer to employees earning a gross monthly wage of $2,200 (2022) / $2,500 (2023) and below.
(3) Comparable data on establishments' performance and business prospects are only available from 2022.

3.4 Compared to a year ago, adoption rates rose for Progressive Wage Model (PWM) sectors such as the *Cleaning, Security and Landscape*, *Retail Trade* and *Food & Beverage Services* in 2023, but declined in other sectors. Adoption rates were also higher in PWM sectors compared to non-PWM sectors.

3.5 Going forward, we expect adoption rates to rise further as PWM wage requirements continue to increase, alongside the increase in Local Qualifying Salary (LQS) from $1,400 to $1,600 in 2024, thereby benefitting more lower-wage employees.

Chart 5: Proportion of establishments that adopted NWC's guidelines for lower-wage employees by industry (%), 2022-2023



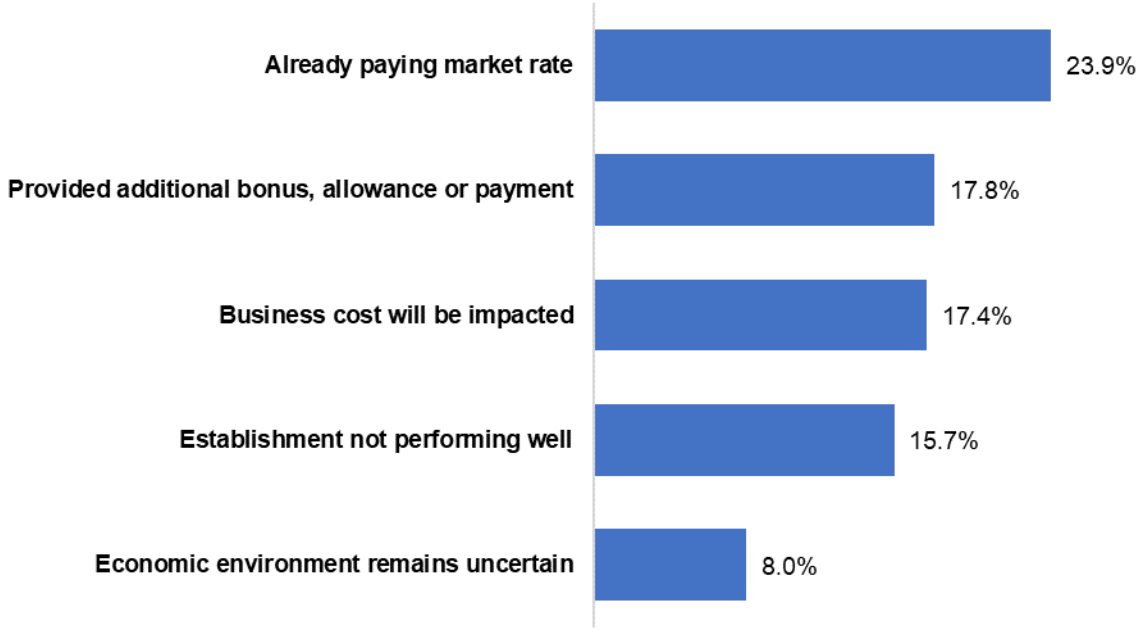
Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:
(1) Data are based on private sector establishments (each with at least 10 employees) with lower-wage employees.
(2) Lower-wage employees refer to employees earning a gross monthly wage of $2,200 (2022) / $2,500 (2023) and below.

3.6 While the adoption rate had declined, a sizeable proportion of establishments (53.7%) still provided wage increases to their lower-wage employees, albeit below NWC's recommendations. These establishments gave an average wage increase of 4.8% to their lower-wage employees in 2023, which was just slightly below the stipulated range of 5.5-7.5% recommended by the guidelines.

3.7 In 2023, establishments' top reason for providing wage increases that fell short of NWC's recommendations was because they felt that they were already paying market rate (23.9%).

Chart 6: Establishments' top reasons for giving wage increases that did not meet NWC guidelines for lower-wage employees, 2023



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Notes:
(1) Based on private sector establishments (each with at least 10 employees) with lower-wage employees
(2) Lower-wage employees refer to employees earning a gross monthly wage of $2,500 and below.

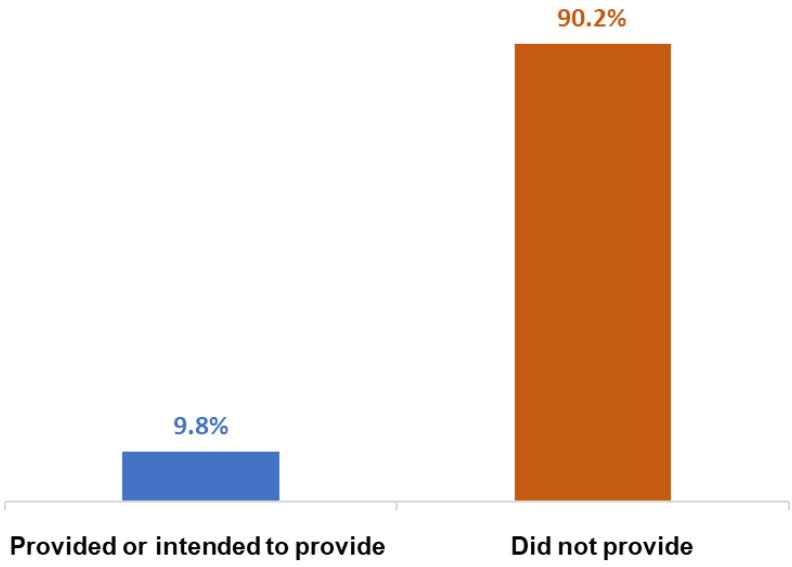
3.8 Going forward, policy initiatives such as the recently revised Local Qualifying Salary (LQS) requirements, Progressive Wage moves and enhancement to the Progressive Wage Credit Scheme would continue to sustain wage increases among lower-wage employees.

4 One-off special payment

4.1 In its 2023/2024 National Wages Council (NWC) guidelines, the NWC recommended employers provide a one-off special payment to their employees to help them cope with the higher cost of living.

4.2 In 2023, only a minority of establishments (9.8%) had provided or intended to provide a one-off special payment to their employees. The remaining (90.2%) did not provide a one-off special payment to their employees as they were unaware of this guideline or had factored it into their employees' variable bonuses, thereby still helping employees cope with the higher cost of living.

Chart 7: Distribution of establishments by provision of one-off special payment, 2023

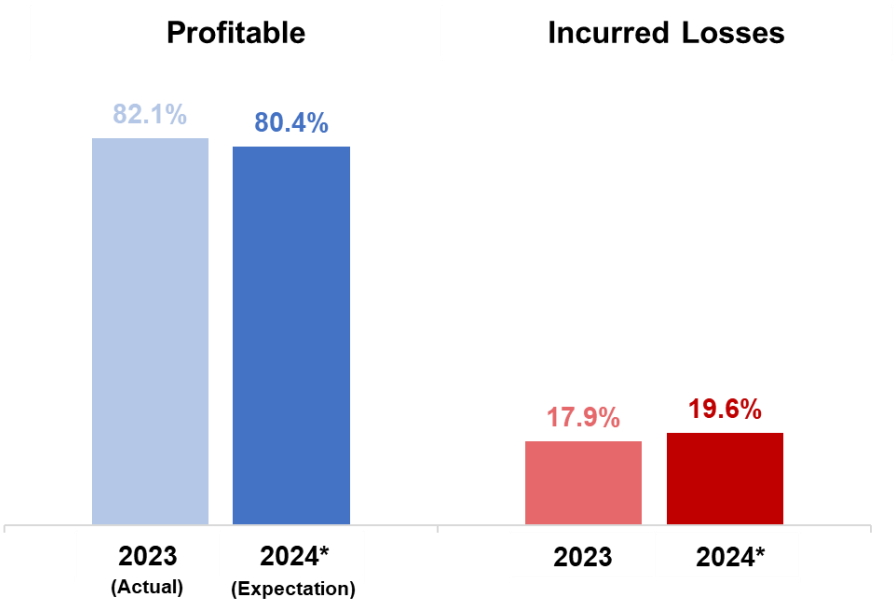


Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

5 Establishments' expectations on profitability and business cost

5.1 A majority of establishments expect to remain profitable in 2024. However, with the ongoing uncertainty and geopolitical tensions, the proportion of profitable establishments is expected to decline slightly to 80.4% in 2024.

Chart 8: Proportion of establishments by expected profitability status

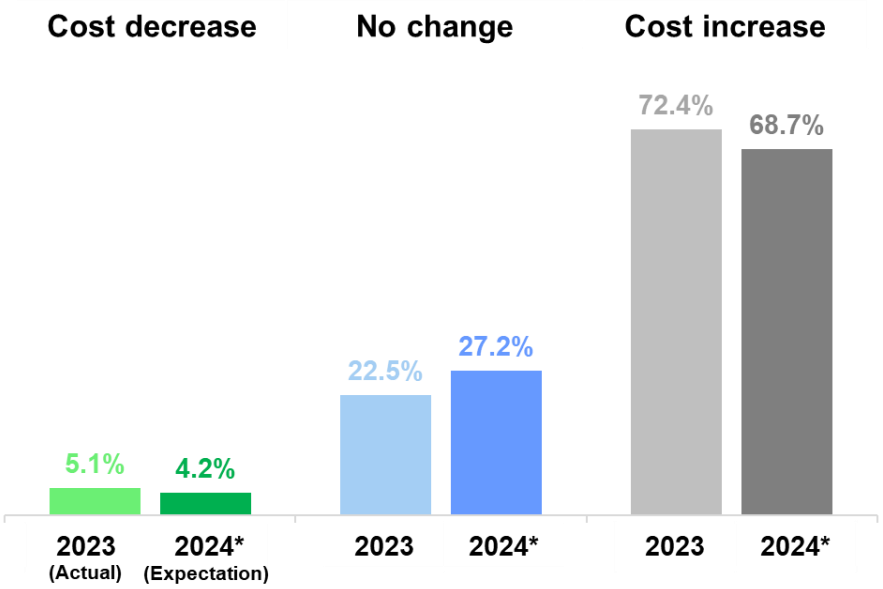


Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Note: 2024 data are based on establishments' expectations for 2024, when surveyed in March 2024

5.2 The magnitude of business cost increase is also expected to moderate (from 14.4% in 2023 to 10.0% in 2024) as inflation eases. More establishments also expect business cost to improve in 2024, with the proportion of establishments that expect business cost to increase declining from 72.4% in 2023 to 68.7% in 2024.

Chart 9: Proportion of establishments by expected change in business cost per unit

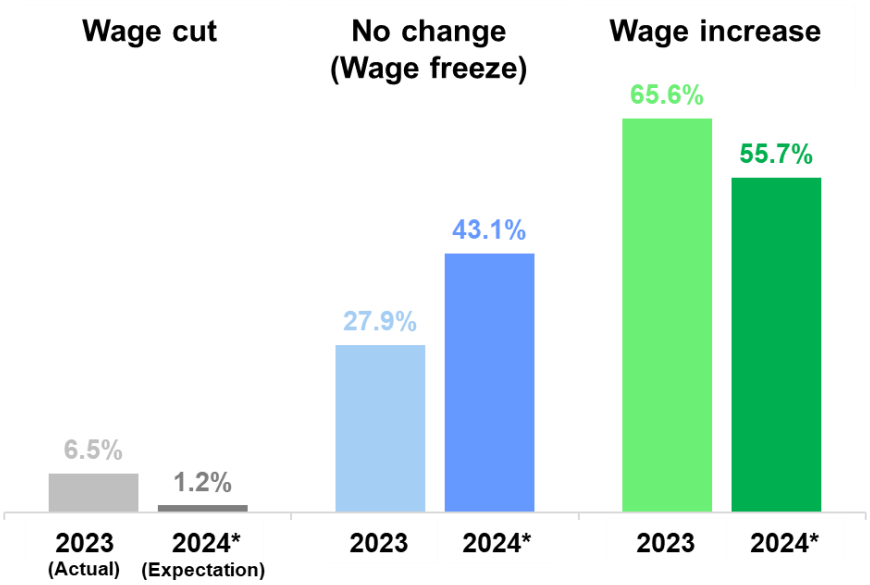


Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Note: 2024 data are based on establishments' expectations for 2024, when surveyed in March 2024

5.3 As fewer establishments expect to cut wages of their employees in 2024 compared to 2023, and more expect to hold wages constant, we expect nominal wage growth in 2024 to remain similar to 2023.

Chart 10: Distribution of establishments by expected wage change



Source: Survey on Annual Wage Changes, Manpower Research and Statistics Department, MOM

Note: 2024 data are based on establishments' expectations for 2024, when surveyed in March 2024

Annex A

Table A1: NWC's quantitative wage guidelines for lower-wage employees

Period of Guidelines	Monthly wage threshold	Recommended built-in wage increase for lower-wage employees
2020/2021	Basic monthly wage of $1,400	A wage increase of any amount
2021/2022	Gross monthly wage of $2,000	**Establishments that were doing well or recovering/have recovered** A wage increase of $70 - $90 or 4.5% - 7.5%, whichever is higher
		Establishments that implemented an overall wage freeze A wage increase of up to $50
		Establishments that implemented an overall wage cut To freeze wages of lower-wage employees
2022/2023	Gross monthly wage of $2,200	**Establishments that have done well and have good business prospects** A wage increase at the upper bound of 5.5-7.5% of gross monthly wage, or wage increase of at least $80-$100, whichever is higher
		Establishments that have done well but face uncertain business prospects A wage increase at the lower to middle bound of 5.5-7.5% of gross monthly wage, or wage increase of at least $80-$100, whichever is higher
		Establishments that have not done well A wage increase at the lower bound of 5.5-7.5% of gross monthly wage
2023/2024	Gross monthly wage of $2,500	**Establishments that have done well and have positive business prospects** A wage increase at the upper bound of 5.5-7.5% of gross monthly wage, or wage increase of at least $85-$105, whichever is higher
		Establishments that have done well but face uncertain business prospects A wage increase at the lower to middle bound of 5.5-7.5% of gross monthly wage, or wage increase of at least $85-$105, whichever is higher
		Establishments that have not done well A wage increase at the lower bound of 5.5-7.5% of gross monthly wage

Annex B

SURVEY COVERAGE AND METHODOLOGY

WAGE PRACTICES FOR LOWER-WAGE EMPLOYEES 2023 AND FORWARD EXPECTATIONS OF ESTABLISHMENTS

Introduction

The *Survey on Annual Wage Changes, 2023* was conducted by the Manpower Research and Statistics Department of the Ministry of Manpower under the Statistics Act 1973 (2020 Revised Edition). The survey fieldwork was conducted from 1 March 2024 to 25 June 2024.

Objective

The survey was conducted to obtain information on wage changes of lower-wage employees in 2023.

Coverage

The survey covered private sector establishments with at least 10 employees. 4,934 private establishments responded to the survey, yielding a survey response rate of 89.9%.

The results were weighted to reflect the population of private sector establishments with at least 10 employees by using expansion factors based on sampling fraction.

Methodology

The survey was conducted using online questionnaires. Respondents could submit their returns online, with clarifications made over the phone.

Reference Period

The reference period for the survey was from March 2023 to March 2024.

Data Collected

Establishments were asked if they provided a build-in wage increase to employees earning a gross monthly wage of up to $2,500, and the quantum given. The information collected pertains to full-time employees on the CPF scheme who had been with the establishment for at least one year as at 31 March 2024.

Analysis

Findings on wage changes of lower-wage employees in the private sector in 2023 is based on private establishments with at least 10 employees.

Classification

The industries of the surveyed establishments were classified according to the Singapore Standard Industrial Classification (SSIC) 2020.

FEEDBACK FORM

Report Title: Wage Practices for Lower-wage Employees 2023 and Forward Expectations of Establishments

1. How would you rate this report in terms of:

	Excellent	Good	Average	Poor
a) Relevance to your work	☐	☐	☐	☐
b) Providing useful insights on prevailing labour market trends/development	☐	☐	☐	☐
c) Ease of understanding	☐	☐	☐	☐

2. Which area(s) of the report do you find most useful? Please provide reasons.

_____

_____

3. How do you find the length of the report?

☐ Too detailed ☐ Just right ☐ Too brief

	Excellent	Good	Average	Poor
4. Overall, how would you rate this report?	☐	☐	☐	☐

5. What additional information (if any) would you like us to include in our future issues?

_____

_____

6. Any other comments or suggestions you wish to bring to our attention?

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Thank you for your valuable feedback

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Manpower Research and Statistics Department
Ministry of Manpower
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