

Summary of Key Recommendations

S/No.	Recommendations	Objectives
Towards Greater Wage Flexibility		
1.	<p>To expand the variable component in wages.</p> <p><i>For rank-and-file employees:</i> 30% of the annual wages as variable component comprising 10 % in MVC and 20% in Annual Variable Component.</p> <p><i>For Middle Management:</i> 30-40% of the annual wages as variable component.</p> <p><i>For Top and senior Management :</i> the percentage of variable component should be higher and constitute say, not less than 40% of the annual wages.</p>	<p>To allow companies greater flexibility in adjusting wage cost in line with changing business condition.</p>
2.	<p>To expedite the implementation of Monthly Variable Component (MVC) :</p> <p>a. to expedite the building up of MVC by encouraging companies to set aside basic wages as MVC in the following manner:</p> <ul style="list-style-type: none"> o for companies that have not implemented MVC in their wage structure or where the MVC is less than 2% of worker' basic wages, to set aside basic wages to build the MVC up to that level. o for companies that have 2% or more MVC in their wage structure, to discuss with trade unions/workers whether a further percentage of basic wages could be hived off for building up the MVC further. <p>b. Companies be allowed, in consultation with the unions, to reduce the MVC in severe economic downturn when the business is adversely affected and/or the jobs of a significant number of workers are at risk. Likewise, employers should also restore the MVC when business conditions improve.</p>	<p>To enhance the flexibility of the wage system and to minimise the need to cut CPF contributions as a means of adjusting wage cost.</p> <p>To enable companies to respond more quickly in adjusting wage cost to remain competitive and to save jobs.</p>
Towards a More Competitive Wage Structure		
3.	<p>The National Wages Council (NWC), in formulating its annual wage guidelines, should maintain the principle that built in real wage increases should lag behind productivity increase at all levels of the organization.</p>	<p>To maintain cost competitiveness of workers.</p>
4.	<p>To accelerate the implementation of the Base-Up wage system to replace seniority-based wage system which is based primarily on workers' performance and productivity growth and less on seniority and experience.</p>	<p>To move away from the seniority-based wage system to a system which rewards workers based on job worth and performance and</p>

	<p>To refine the Base-Up wage system and rename it as the "Competitive Base Wage System" to promote its adoption.</p> <p>For the implementation of the Competitive-Base wage system, unions and employers should work towards narrowing the salary ratio to 1.5 within 2 collective agreements, i.e. 4 to 6 years; and</p> <p>Companies, in consultation with the trade unions, could regularly review and adjust the salary ratio when job skills and job requirements change so that workers would be rewarded based on the value of the jobs and their contributions.</p>	<p>contribution of employees, and to enhance the wage competitiveness of our workers, especially the older one.</p>
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Role of the National Wages Council

<p>5.</p>	<p>NWC to continue to focus on issuing wage and wage-related guidelines based on fundamental economic and productivity indicators and tripartite consensus.</p> <p>The NWC could more proactively set up tripartite working groups to look into specific industrial relations and employment-related issues.</p> <p>It could also, with the support of the Ministry of Manpower and other government agencies, provide timely and relevant labour market information as well as international comparison on wages to enable companies and trade unions to be better informed of such trends.</p> <p>The NWC should not expand its role to include other manpower issues as this would dilute its effectiveness and affect the timeliness of its recommendations.</p>	<p>To ensure that NWC continues to focus its role in setting the strategic direction of wage policies and issuing annual wage guidelines.</p>
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Introducing Portability in Employment Benefits

<p>6.</p>	<p>An approach to the provision of outpatient and inpatient benefits that seeks to provide choice and flexibility to employers and employees, and allow for free play in the market is proposed.</p> <p>To restructure the outpatient benefits.</p> <p>3 options are recommended for employers and employees to consider. Implementation would be optional:</p> <p><u>Option A: Co-payment with Annual Individual Budget</u></p> <ul style="list-style-type: none"> • Employers & Employees co-pay outpatient expenses, say 85%:15% • Employers to set aside an annual outpatient budget for each employee from which the employers' portion of outpatient expenses will be drawn • Unused portion of the lump sum will be credited to employees' Medisave accounts 	<p>To allow employees to accumulate unused medical benefits and save it for future use.</p> <p>To contain the rise in medical cost by introducing personal</p>
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	<ul style="list-style-type: none"> Once the lump sum is exhausted, employees will be responsible for entire outpatient bill <p><u>Option B: Direct co-payment with additional Medisave contribution as trade off</u></p> <ul style="list-style-type: none"> Employees co-pay outpatient expenses of say 20-25% As a trade-off, employers could pay employees additional Medisave contributions, say 0.5 to 1% of employee's monthly salary. <p><u>Option C: Direct co-payment with cash incentives as trade-off</u></p> <ul style="list-style-type: none"> Employees co-pay outpatient expenses of say 20-25% As a trade-off, employers could grant employees cash incentives. 	responsibility of medical expenses.
7.	<p>To restructure Inpatient benefits. 2 options are recommended:</p> <p><u>A) Portable Medical Benefits Scheme (PMBS)</u></p> <ul style="list-style-type: none"> In lieu of the existing employer-based inpatient benefits, employers would make additional contribution to employees' Medisave accounts, subject to a minimum of 1% of monthly salary Employees would be responsible for inpatient expenses from 1st dollar henceforth Employees should use the additional Medisave contributions to purchase Medishield and other approved medical insurance scheme to meet their inpatient needs. 	<p>To allow workers to enjoy medical coverage not only during their employment but also when they are in between jobs and after retirement.</p> <p>To enhance the wage-cost competitiveness of older workers</p> <p>To provide certainty for employers to plan and set aside funds for medical expenses.</p>
	<p><u>B) Transferable Medical Insurance Scheme (TMIS)</u></p> <ul style="list-style-type: none"> it is an employer-sponsored group medical insurance scheme which offers transferability of coverage when an employee moves from one employer to another. It provides inpatient benefits coverage up to prevailing retirement age (currently 62 years old). Participating group insurers will treat any employee covered under a TMIS plan as continuously insured, for the purpose of applying the pre-existing medical exclusion, when he joins a new employer. It offers an extension of medical coverage of up to 12 months to employees who are retrenched, provided 	To allow workers to enjoy continued medical coverage when they change employment or are in between jobs.

	<p>premiums are paid.</p> <ul style="list-style-type: none"> Premiums are expected to be between 5 and 20% more than existing group insurance plans. <p>Insurers may provide various insurance plans under TMIS with different levels of benefits and premiums</p>	
	<p>To implement PMBS or TMIS through promotional efforts.</p> <p>To encourage the adoption of the schemes, the Government could make adjustments to the existing tax structures on medical benefits.</p> <p>The Government to consider providing a once-off assistance to older workers and workers with pre-existing illness by paying, say 1 to 2 years' premiums for medical insurance.</p>	<p>To encourage companies to take up the PMBS or TMIS.</p> <p>To encourage acceptance of the PMBS by all employees.</p>
8	<p>To facilitate employability training. 2 alternative proposals are recommended:</p> <p>A) To set up a portable individual training account for workers.</p> <p>Possible sources of fund : Lifelong Learning Fund</p> <p>B) To grant double taxation deduction to employers in respect of funds provided for workers training that may not be job-related but can help enhance employability.</p>	<p>To enhance workers' employability and promote life-long learning among workers</p>
Enhancing Labour Market Flexibility		
9.	<p>To allow flexible working hours scheme.</p> <p>Companies, whose nature of business justifies implementation of a flexible working hours scheme, be exempted on a case by case basis, from the provisions of the law governing working hours and the rate of overtime payment so that they can have the flexibility to implement flexible working hours on a monthly, quarterly or longer duration.</p> <p>To set up a tripartite taskforce to work out the principles and operational details. The taskforce should draw up a set of safeguards against abuses.</p>	<p>To enable employers to maximise productivity by optimising use of manpower.</p> <p>To enable workers to share productivity gain and achieve work-life balance.</p>
10.	<p>To Modify the CPF system. (The recommendations below, incorporated into the CPF Report, have been accepted by the Government in July 2002)</p>	

	<p>A) To lower the salary ceiling for CPF contribution from \$6,000 to \$5,000 a month, to be phased in as the CPF contribution rate is restored to 40%</p>	<p>To reduce the mandatory saving for high-income employees and allow them more freedom to deploy their income.</p>
	<p>B) To raise the wage floor for employee's CPF contribution from \$200-\$363 to \$500-\$750.</p>	<p>To allow lower-income workers to have more take-home pay and encourage lower-income group to enter the workforce.</p>
	<p>C) To keep the employer's CPF contribution rate for employees in the 50-55 age group at its present level of 16%, even when the CPF rate for younger cohorts is progressively restored to 20%.</p> <p>To lower the employee's CPF contribution rate for workers in the 50-55 age group from the present level of 20% to 16%.</p>	<p>To correct the distortion of the seniority-based wage system and enhance the wage competitiveness and employability of older workers.</p>