

SHRI/RDS 2013 Fax Survey

on

Business Prospects/Wage Increase/Bonus & Views on Population/Productivity Concerns

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July 2013

1.0 Introduction

RDS surveyed 147 companies in June 2013 to find out about their business prospects, wage, bonus and recruitment plans.

Companies were also asked for their views on the tightening of foreign labour policies use of the wage credit scheme, solution to the low fertility problem and overcoming productivity barriers.

2.0 Summary of Key Findings

Companies generally still optimistic despite lingering worries.

2.1 Most companies are cautiously optimistic. This is reflected in moderate wage increases, bonuses and recruitment plans that are broadly similar to those of the second half of last year.

2.2 This year's basic wage increase will average 4.1% slightly higher than last year's 4.0%. For next year 2014, it is expected to be slightly lower at 4%.

2.3 This year's variable bonus (excluding AWS) will average 1.7 to 2.0 months. For 2014, they are expected to be 1.8 to 2.0 months

2.4 Total wage increase for this year is expected to be 4.2%, and with the Consumer Price Index expected to be 2 to 3%; there will be **1.2 to 2.2% increase in real wages.**

For next year, the total wage increase is expected to be 4.1%, and with inflation expected to be around 3.1%, real wages are expected to increase by 1.0%

2.5 On recruitment, 75% of companies hired or planned to hire staff this year, slightly lower than the 78% last year.

2.6 Compared to last year, fewer companies retrenched or planned to retrench this year.

For next year, many companies are not able to make any projection on retrenchment although 1% of companies, so far, expect to retrench.

2.7 This year, staff turnover is reported at 5 to 7%, very similar to the 5 to 8% last year. For next year, staff turnover is expected to be 4 to 7%.

2.8 Entry level salaries for GCE 'O', GCE 'A', PSC (Secretary), Nitec and MBA qualifications increased by 0.9% to 7.1% compared to last year; while those for GCE 'N', Higher Nitec, Diploma and Degree remained unchanged.

- 2.9 On the issues of tightening foreign worker policies, the Wage Credit Scheme (WCS), reduced fertility and productivity barriers, almost all of the companies surveyed weighed in with their views.

These views are very interesting and wide-ranging – they range from insightful to the somewhat expected and surprising.

- 2.9.1 On the impact of tightened foreign worker policies, most companies (57%) think it will result in higher wages for lower-skilled workers – what is surprising is that only 19% think this will dampen economic growth.
- 2.9.2 On the use of the WSC, one-third of companies will increase wage increment while most of the rest will use it to increase either welfare benefit or bonus.
- 2.9.3 To solve the reduced fertility problem, many companies feel that living and child-upbringing costs need to be reduced together with more flexi-work – what is surprising is that only 18% think more leisure time for younger workers is needed.
- 2.9.4 On overcoming productivity barriers, not surprisingly, streamlining of work processes and use of appropriate technology top the list. Somewhat surprisingly, the emphasis of group rather than individual productivity and the promotion of collaborative work-culture are also highly called for. More effective top management incentives ranks very lowly with only 15% citing their importance.

3.0 Key Findings

3.1 Business Prospects

Current: 85% of companies reported satisfactory or better business prospects compared to 78% in September last year.

- the most satisfied sector is Engineering & Related.

Less companies reported unsatisfactory business prospects 15% compared to 21% in September last year.

- the least satisfied sector is Consumer Products/Retail

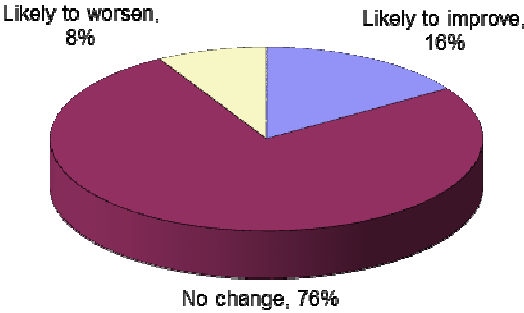


Overall, most companies are optimistic. Compared to last year, more companies are satisfied except for the US companies (78% of US companies reported satisfied, compared to 88% last year).

Large companies are faring better than the rest (94% satisfied or better compared to 82% of small and medium-sized companies).

Next 6 months: 16% of companies expect prospects to improve, 76% expect no change while 8% expect prospects to worsen.

- Engineering & Related is the most optimistic sector,
- Logistics sector is the most pessimistic.



Japanese companies are most optimistic over next 6 months, (were the least optimistic last year) while European & local companies are the least optimistic. In terms of size, large companies are the most optimistic.

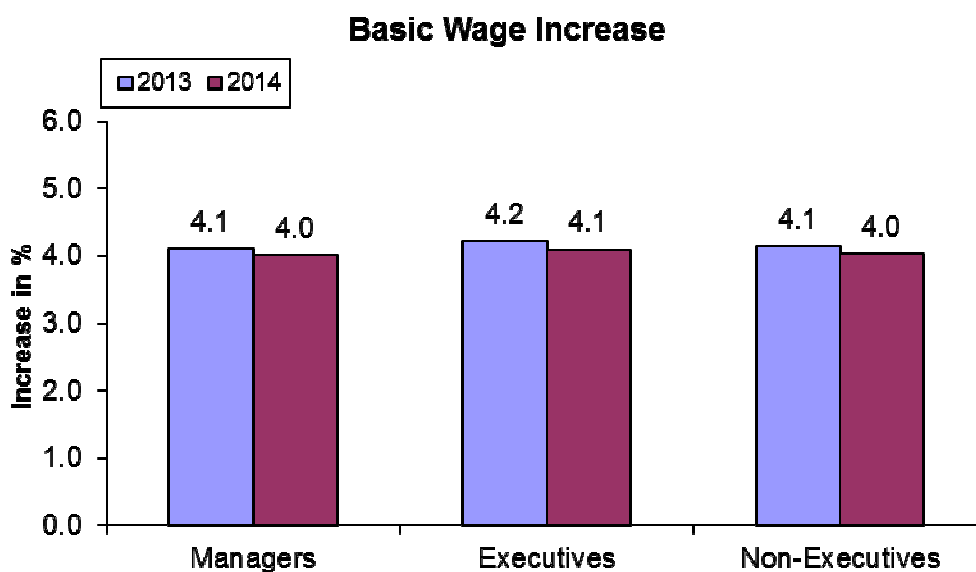
3.2 Basic Wage Increase

The wage increase this year (2013) will average **4.1%**, slightly higher than the 4.0% projected in September 2012.

Highest Paying Sector: General Manufacturing (4.4 to 5.5%)
Lowest Paying Sector : IT/HiTech (3.5% to 3.6%).

This year, 7% of the companies have frozen or plan to freeze wages, and none has cut or plan to cut wages.

For 2014, the wage increase is projected to be slightly lower at 4.0%.



For 2014, the sector projecting the highest wage increase of 4.4% to 5.4% is General Manufacturing. And for the lowest wage increase, it is the 2.6 to 3.6% of the Electronics sector.

3.3 Variable Bonus (excluding AWS)

For 2013, the variables bonuses are expected to average at:

- 2.0 months for Managers
- 1.8 months for Executives
- 1.7 months for Non-executives.

Highest Paying Sector - Engineering & related (2.8 months; higher than the 1.7 to 2.2 months, reported in Sep 2012)

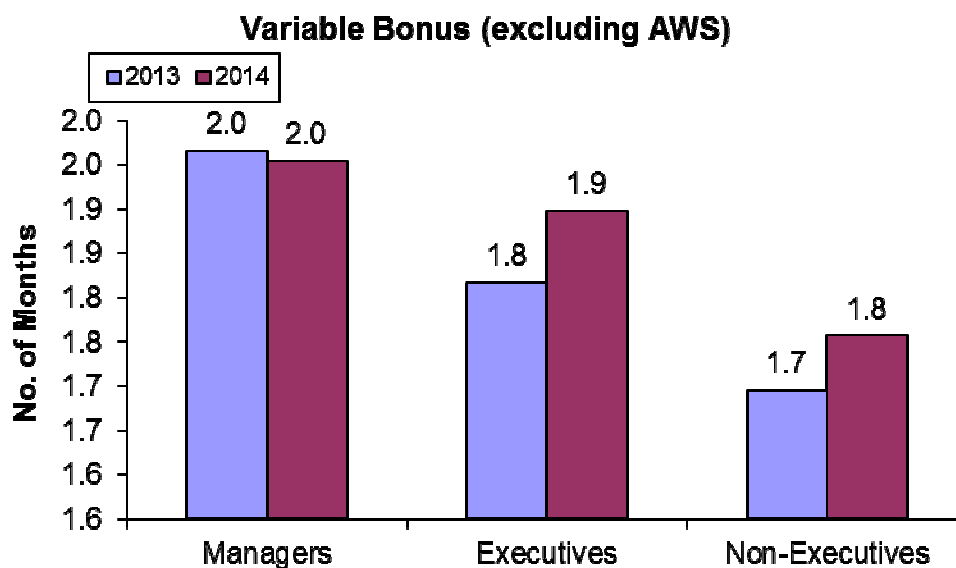
Lowest Paying Sector - Electronic sector at 0.6 to 0.7 month.

Large companies will pay somewhat higher bonuses (2.0 to 2.5 months) than the 1.5 to 2.0 months of the small and medium-sized companies.

More companies expect to pay bonuses this year, 92% compared to the 89% last year.

For next year 2014, 79% of companies expect to pay some form of bonus and the bonuses are expected to increase slightly to:

- 2.0 months for managers
- 1.9 months for executives and
- 1.8 months for non-executives.



The highest bonus paying sector next year will still be Engineering and related which expect to pay an average of 2.7 months while the lowest paying sector, will continue to be Electronics sector at 0.6 to 0.7 month.

3.4 **AWS**

In 2013, 86% of companies will pay an average of one month while for next year only 80% of companies expect to do so.

3.5 **Recruitment**

A total of 75% of the companies hired or will hire staff this year, slightly lower, compared to the 78% of last year.

For next year 2014, less companies (52%) plan to hire staff. The numbers to be hired for non-managerial staff are somewhat higher.

The average number recruited per company in 2013 and the number to be recruited next year are:

This Year 2013			Next Year 2014		
Mgrs	Execs	Non-Execs	Mgrs	Execs	Non-Execs
5	15	23	2	16	38

18% of companies this year are freezing recruitment and for next year, 14% expect to freeze recruitment.

3.6 **Retrenchment**

This year 8% of companies retrenched or plan to retrench, fewer than the 12% last year

- surprisingly, it is the Chemicals & related sector which has the highest rate of retrenchment with about 40% of companies retrenching or expecting to retrench this year.

For next year, only 1% of the companies, so far, plan to retrench.

3.7 Staff Turnover

86% of companies experienced staff turnover in 2013, slightly higher than the 84% last year.

The annual turnover rate for this year will average:

- 5% for Managers
- 6% for Executives and
- 7% for Non-Executives.

For next year, 51% of companies are likely to experience staff turnover with the turnover rate expected to be slightly lower.

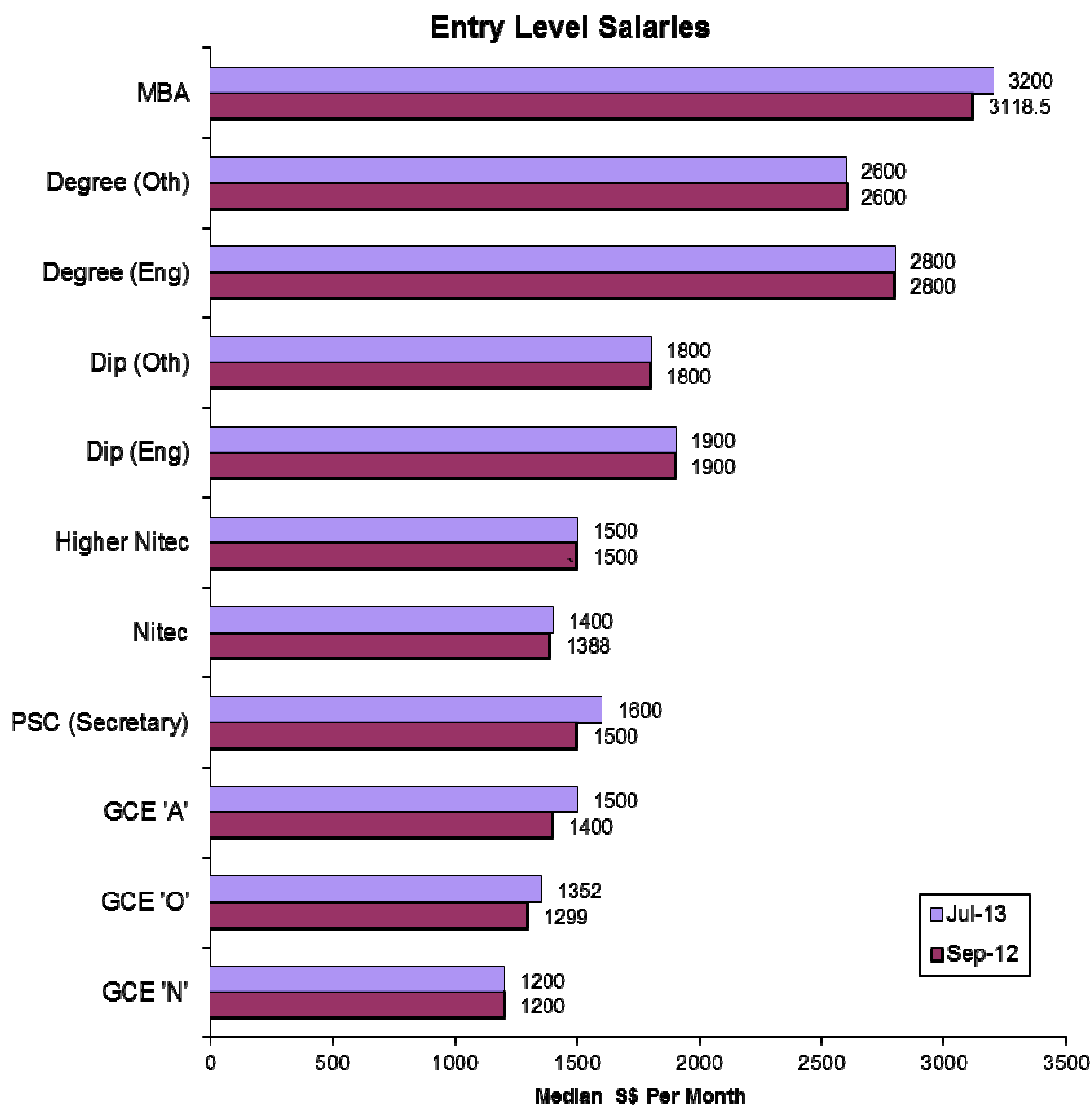
3.8 Total Accumulated Monthly Variable Component (MVC) in % of Monthly Salary

Fewer companies, 48% of companies currently pay the MVC and the average accumulated amount is more than last year,

- 9.0% for Manager (8.5% in year 2012)
- 8.6% for Executives
- 8.5% for Non Executives.

Unionised			Non-Unionised		
Mgrs	Execs	Non-Execs	Mgrs	Execs	Non-Execs
9.3	9.1	9.2	8.7	8.2	7.8

3.9 Entry-Level Salaries



Entry-level salaries for GCE “O”, GCE “A”, PSC (Secretarial), Nitec and MBA qualifications increased by 0.9% to 7.1% compared to September 2012.

Those for GCE “N”, Higher Nitec, Diploma and Degree remained unchanged.

3.10 Impact of Tightened Foreign Worker Policies

Not surprisingly, 57% of companies feel the main impact would be higher wages for lower-skilled workers – for labour-intensive sectors like construction, services, consumer products/retail, the proportions are much higher (60% to 100%).

However, only 30% feel that this would lead to restructuring of lower-skilled work and 24% feel that it would result in increased employment of home-makers/elderly.

19% of companies expect that economic growth will be dampened while 18% expect increased outsourcing of lower-skilled work – for both these two impacts, the proportion of Construction companies is 60%.

Impact of Tightened Foreign Worker Policies	Response
higher wages for lower-skilled worker	57%
restructuring of lower-skilled work	30%
increased employment of home-makers/elderly	24%
dampened economic growth	19%
increased outsourcing of lower-skilled work	18%
increased business relocation	15%
better acceptance of foreign workers	7%
reduced employment of local workers	4%

3.11 Use of Wage Credit Scheme (WCS)

Surprisingly, only one-third of companies will use it to increase the wage increment while another 21% will spend it on welfare benefit and 17% on bonus.

Use of WCS	Response
increase increment	33%
increase welfare bens	21%
increase bonus	17%
increase to be stopped if govt stops WCS	14%

3.12 Solution to Low Fertility Rate

More pro-active government efforts to lower living costs (65%), reduction of child-upbringing costs (65%), more government funds for child-upbringing & related needs (64%) and more flexi-work (56%) top the list of solutions.

Surprisingly, more leisure time for younger workers is last on the list as only 18% feel this would be a solution.

Solution to Low Fertility Rate	Response
More pro-active government efforts to lower living costs	65%
Reduce child-upbringing costs	65%
More government funds for child-upbringing & related needs	64%
More flexi-work	56%
Lower housing costs & lower asset inflation	49%
More government spending on sick & aged (grand)parents	44%
Increase financial child-bearing incentives	41%
Emphasise holistic rather than academic education/grades	36%
More leisure time for younger workers	18%

3.13 Overcoming Productivity Barriers

Not surprisingly, streamlining of work processes (79%), use of appropriate technology (63%) top the list of things to do to overcoming productivity barriers.

What is surprising is the relative high ratings of group rather than individual productivity and promotion of collaborative work culture at 55% and 54% respectively with improving of employee work-life balance rated by 52% of companies.

Next are increases in:

soft-skills/collaborative training (48%),
 respect/recognition/career advancement for workers (45%),
 worker participation in decision-making/innovation (44%) &
 adoption of HR best practices (42%).

Surprisingly, not many companies cite the need for:

increase in capital investment (18%)
 reduction of wage disparity (16%)
 more effective top management incentives (15%) and
 increase of foreign labour/talent (7%).

Overcoming Productivity Barriers	Response
Streamline work processes	79%
Adopt more appropriate technology	63%
Emphasise group rather than individual productivity	55%
Promote collaborative work-culture	54%
Increase employee work-life balance	52%
Increase soft-skills/collaborative training	48%
Increase respect/recognition/career advancement for workers	45%
Increase worker participation in decision-making/innovation	44%
Adopt more effective HR best practices	42%
Reduce de-motivating work processes/incentives	27%
Emphasise intrinsic rather than extrinsic incentives	27%
Develop local HR practices to suit individual organisation	25%
Increase capital investment	18%
Reduce wage disparity	16%
More effective top management incentives	15%
Increase foreign labour/talent	7%
Merge with larger/more successful companies	5%

4.0 List of Participating Companies

Chemicals & Related

Air Products Singapore Pte Ltd
Arch Chemicals Singapore Pte Ltd
BASF South East Asia Pte Ltd
Cabot Microelectronics Singapore Pte Ltd
Cameron (S) Pte Ltd
Chevron Singapore Pte Ltd
OMS Oilfield Services Pte Ltd
Petrochemical Corporation of Singapore
The PolyOlefin Co (S) Pte Ltd

Construction & Related

Cyclelect Electrical Engineering Pte Ltd
Mitsubishi Elevator (Singapore) Pte Ltd
Permasteelisa Pacific Holdings Ltd
Teambuild Engineering & Construction Pte Ltd
United Engineers Ltd

Consumer Products/Retail

Coca-Cola Singapore Beverages Pte Ltd
Essilor
Kao Singapore Pte Ltd
Nature's Farm Pte Ltd
Swarovski Singapore Trading Pte Ltd
Wing Tai Retail Management Pte Ltd
Wipro Unza Singapore Pte Ltd

Educational

Crestar Education Group Pte Ltd
LASALLE College of the Arts Ltd
NTU
SHRI Academy Pte Ltd
SUTD

Electronics

CMK Asia Pte Ltd
CTS Singapore Pte Ltd
Foamtec (Singapore) Pte Ltd
KES Systems & Service (1993) Pte Ltd
Phoenix Mecano S.E. Asia Pte Ltd
Photonics Singapore Pte Ltd
SIIX Singapore Pte Ltd
Welch Allyn Singapore Pte Ltd
Wilson Cables Pte Ltd
Yeakin Plastic Industry Pte Ltd

Engineering & Related

Envipure Pte Ltd
FMC Technologies Singapore Pte Ltd
Instron Singapore
Jaya Shipbuilding & Engineering Pte Ltd
Keppel Corporation Ltd
SANWA Plastic Industry Pte Ltd
Satair Pte Ltd
Turbine Overhaul Services Pte Ltd

F&B/Hotels

AustAsia Food Pte Ltd
Pegasus Solutions (S) Pte Ltd
PepsiCo Intl Pte Ltd
Sentosa Leisure Group
Singapore Food Industries Pte Ltd
Sunrider Singapore Mfg Pte Ltd

Financial/Insurance

Commerzbank AG (Singapore Branch)
EDBI Pte Ltd
IFS Capital Limited
McGraw Hill Financial
Svenska Handelsbanken
Walton International Group (S) Pte Ltd

General Mfg

Aalst Chocolate Pte Ltd
Fluke SEA Pte Ltd
Gimmill Industrial (Pte) Ltd
HeidelbergCement Asia Pte Ltd
Infineon Technologies Asia Pacific Pte Ltd
Kalzip Asia Pte Ltd
Leeden Ltd
National Oxygen Pte Ltd
Natsteel Hldg Pte Ltd
NOV FGS Singapore (Pte) Ltd
Shimano (Singapore) Pte Ltd
Singa Plastics Ltd
SMC Manufacturing (S) Pte Ltd

Govt & Related

Civil Aviation Authority of Singapore
National Environment Agency
Singapore Power Ltd
Singapore Turf Club
The Esplanade Co Ltd
Urban Redevelopment Authority

Healthcare/Pharmaceutical

Astra Zeneca Singapore
Menicon Singapore Pte Ltd
National Cancer Centre Singapore
National Healthcare Group
Singapore General Hospital
SingHealth Health Service Pte Ltd

IT/HiTech

AT&T Singapore Pte Ltd
CSC Technology Singapore Pte Ltd
Finisar Singapore Pte Ltd
IDA Intl Pte Ltd
Olympus Technologies Singapore Pte Ltd
Panasonic Asia Pacific Pte Ltd
Sony Electronics Asia Pacific Pte Ltd
StarHub Ltd
STT Communications Ltd
SUMITOMO Electric Intl (S) Pte Ltd
Synopsis Taiwan Co., Lit.
Wizlearn Technologies
Yokogawa Engineering Asia Pte Ltd

Logistics

JF Hillebrand Singapore Pte Ltd
Jurong Port Pte Ltd
K. C. Dat (S) Pte Ltd
PSA Corp Ltd
TNT Express Worldwide (S) Pte Ltd

Marine/Shipping

Eastport Maritime Pte Ltd
IINO Shipping Asia Pte Ltd
IMC Industrial Pte Ltd
MOL (Singapore) Pte Ltd
Regional Container Lines Pte Ltd
SMOE Pte Ltd
Wartsila Singapore Pte Ltd

Property

E M Services Pte Ltd
Mapletree Investments Pte Ltd
OUB Centre Ltd
P&N Holdings Pte Ltd
Pacific Star Hldg Pte Ltd
Roxy Pacific Holdings Ltd
Wheelock Properties (Singapore) Ltd
Wing Tai Property Management Pte Ltd

Services

aAdvantage Consulting Group Pte Ltd
Aardwolf Pestkare (S) Pte Ltd
B P De Silva Hldg Pte Ltd
Cynosure Corp Services Pte Ltd
Foo Kon Tan Grant Thornton LLP
GMP Recruitment Services (S) Pte Ltd
HMR-Technology Pte Ltd
ICO Asiapacific Singapore Pte Ltd
Kong Meng San Phor Kark See Monastery
Shimadzu (Asia Pacific) Pte Ltd
SHRI
SHRI Corp Pte Ltd
Singapore Airlines Limited
SPH Ltd
Tat Hong Hldg Ltd
Tiro Consulting Services Pte Ltd
Veolia ES Singapore Pte Ltd
YHI Corp (S) Pte Ltd
YMCA of Singapore

Trading

Cargill International Trading Pte Ltd
Harley-Davidson Asia-Pacific Pte Ltd
Heidelberg Asia Pte Ltd
Hupsteel Ltd
Inko Brothers Hardware Pte Ltd
Lion Asiapac Ltd
Qian Hu Corp Ltd
QSS Safety Products (S) Pte Ltd
SMC Pneumatics (SEA) Pte Ltd
Sumitomo Corp Asia Pte Ltd
The Swatch Grp SEA (S) Pte Ltd
Timken Singapore Pte Ltd
Valle Valle Pte Ltd
Yamaha Motor Asia Pte Ltd

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