SINGAPORE, May 29, 2013 – In a report released today, Hay Group, the global management consultancy, said Singapore workers can expect only prudent pay rises this year, with a less than optimistic forecast for 2014.

Hay Group’s report, Building the Capabilities of the Next Generation Workforce, was based on a March 2013 pulse survey, covering over 190 Singapore-based companies (local and foreign-owned) from both the private and public sectors. They were polled on their business sentiments and salary and bonus projections for the next 12 months.

Conservative salary increase
The Building the Capabilities of the Next Generation Workforce report showed that the actual average salary increase is 4.7 percent for 2013 while the average salary increase for 2014 is forecasted at 4.4 percent (see Figure 1).

<table>
<thead>
<tr>
<th></th>
<th>2013 (Actual)</th>
<th>2014 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average salary increase</td>
<td>4.7%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

Figure 1: Average salary increase for 2013 and forecast for 2014 (Source: Hay Group survey, March 2013)

The top three sectors with the highest average salary increases in 2013 are Life Sciences/Pharmaceuticals and Services (5.7 percent), Utilities (5.3 percent) and Oil & Gas (5.1 percent).

Looking ahead, the forecast average salary increase for 2014 is Life Sciences/Pharmaceutical taking prime spot at 5.2 percent, followed by Services at 5.1 percent and Insurance at 5.0 percent.

Mr Victor Chan, Regional General Manager (Singapore and ASEAN) for Productized Services, Hay Group, said, “Organisations are feeling the need to manage business cost in a slower economic environment this year and a substantial part of operating business in Singapore is managing the cost of employment.”

He added that this was a top business priority for nearly a quarter of the surveyed organisations (24 percent) when asked about their organisation’s key business focus this year.
Cautious bonus payout
The Hay Group report also showed that the actual average variable bonus (i.e. performance-based bonuses excluding annual wage supplement, contractual bonuses) is 2.3 months for a 12-month period (see Figure 2). This is 0.2 months lower than the average of 2.5 months in March 2012.

<table>
<thead>
<tr>
<th></th>
<th>2013 (Actual)</th>
<th>2014 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average bonus payout</td>
<td>2.3 months</td>
<td>2.3 months</td>
</tr>
</tbody>
</table>

Figure 2: Average bonus payout for 2013 and forecast for 2014 (Source: Hay Group survey, March 2013)

A breakdown by employee level revealed that Senior Management received an average variable bonus payout of 3.0 months, followed by 2.3 months for Middle Management, 2.1 months for Junior Professionals and 1.9 months for Clerical Support.

The forecast average variable bonus payout remains steady at 2.3 months for 2014.

Hot jobs in 2013
Reflecting the tight labour market, more than half of the 193 surveyed companies (57 percent) plan to make changes to overall staffing levels this year and out of this group, the average increase is 9.4 percent.

The Hay Group report showed that the top employee groups in high demand are Junior Professionals (35 percent), Middle Management (34 percent) and Clerical/Operations (25 percent).

Drilling down into job functions, the key focuses of recruitment is on Engineering (13 percent) and Sales (11 percent). Following suit are jobs in Administration/Support Service, Customer Service, Finance & Accounting and Marketing — all at 8 percent.

Mr Chan said, “Our report found that those who had specialist knowledge or industry-specific technical skills such as engineering will continue to command a higher market differential as compared to more common jobs such as customer service and marketing.”

Old is gold — today, tomorrow and forever
The Retirement And Re-employment Act (RRA), which kicked in on 1 January 2012, requires employers to offer re-employment to eligible employees who turn 62, up to the age of 65.

According to the Hay Group report, which asked whether organisations practise re-employment of eligible retiring employees, out of the 193 surveyed companies, an optimistic 170 or 88 percent have re-employed their eligible retiring employees.
When asked about the re-employment status of their employees in the past 12 months, 40 percent of the surveyed companies indicated that no re-employment contracts were offered. This is followed by 28 percent which indicated less than 10 percent of retiring employees were re-employed and 27 percent which offered re-employment to more than 75 percent of their retiring employees.

In contrast, less than half of the surveyed organisations (43 percent) are planning to redesign jobs suitable for employees reaching the minimum retirement age of 62.

The Hay Group report also showed that 70 percent of the surveyed organisations are offering re-employment contracts to Middle Management/Seasoned Professionals, 65 percent to Clerical/Operations, 64 percent to Supervisory/Junior Professionals and less than half (41 percent) to Senior Management/Executive employees.

Mr Chan said, “This statistic breakdown of re-employment contracts by employee levels could imply that while Senior Management incumbents can play advisory roles, organisations are striking a balance by injecting new talents as part of their succession planning for the longer term.”

In terms of compensating eligible retiring employees, close to half of the organisations (48 percent) maintained 100 percent of their pre-retirement compensation package while 29 percent provided a range of between 75 to 99 percent of their pre-retirement compensation package.

Comparatively, more than one in two organisations (58 percent) expressed no change to the benefits provision provided to their re-employed employees and about a quarter of the surveyed organisations (24 percent) provided the same set of benefit items at a lower quantum coverage. For example, annual leave entitlement would be adjusted to that of a new hire.

The majority of the surveyed organisations (85 percent) ranked full-time work arrangement as the most prevalent among their re-employed employees while 66 percent and 67 percent ranked part-time and flexi-time as second and third most prevalent respectively.

Full-time work arrangement is understandably the most prevalent as employers and employees alike would like to have a gradual transition of working arrangement for employees as they continue their working lives beyond the minimum retiring age.

Mr Chan said, “Increasing wages in an optimal manner while supporting the long-term interests of the organisation is no longer an option. For this, organisations should leverage the Wage Credit Scheme to rationalise their reward programme and ensure that it is aligned towards individual and organisational performance.”
He explained, “Wage increases are like portfolio investments into your organisation’s talent where there is heavy investment in the better performers, whom the organisation would like to recognise and retain in the long-term. To recognise superior performance, your organisation will need a structure and process for managing and reviewing performance.

“Clearly, organisations need to ensure that the wages of their high-performing employees are competitive in comparison with those performing similar kinds of jobs in Singapore’s labour market. A fundamental need will be for organisations to benchmark salaries and then understand where the gaps are in order to make sound decisions on rewarding their top performers.

“Finally, as the Wage Credit Scheme is only applicable to Singaporean employees whose Gross Monthly Wage is $4,000 and below, it is important to study the implications of the wage increases for this group of employees against the other profiles of employees. Wage increases need to be based on sound pay principles and practices, to avoid long-term issues with inequity and cost containment.”

Note to editors:
This press release should be credited to ‘global management consultancy Hay Group’, and not ‘Hay’ or ‘Hays’, which are separate and unrelated organisations.

About Hay Group:
Hay Group is a global consulting firm that works with leaders to transform strategy into reality. We develop talent, organise people to be more effective, and motivate them to perform at their best. With 85 offices in 48 countries, we work with over 7,000 clients across the world. Our clients are from the private, public, and not-for-profit sectors, across every major industry and represent diverse business challenges. Our focus is on making change happen and helping people and organisations realise their potential. Visit www.haygroup.com/sg.

###

For more information, please visit www.haygroup.com/sg or contact:

Media contact
Nurliza Ibrahim
Marketing and PR Manager, Singapore
Email: nurliza.ibrahim@haygroup.com
Mobile: +65 9843 2818