

The Straits Times, pg B19 15 December 2008, Monday

4% pay rise unrealistic: Analysts

Expect pay to be stagnant or rise 3% at most, economists and HR firms say
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ECONOMISTS and human resource firms have dismissed suggestions by a local consultancy that wages in Singapore will rise 4 per cent next year.

Many of the experts have told The Straits Times that pay levels will either stay stagnant or rise 3 per cent at the most while some even said pay cheques could shrink about 1 per cent.

Mr Renny Yeo, president of the Singapore Manufacturers' Federation and chairman of Singapore Cables Manufacturers, said: "On the whole, I think an average pay increment of 4 per cent is not realistic. Some will be zero, some will go up, so maybe 2 to 3 per cent is more realistic."

The executive director of the Singapore National Employers Federation (SNEF), Mr Koh Juan Kiat, said the figure outlined in a survey by HR consultancy Mercer Singapore was too high, but he declined to offer a projection.

SNEF is conducting a similar survey with the results out next month.

Mercer Singapore released its salary projections two weeks ago after polling 233 locally-based firms last month.

Its "snapshot survey" found that average base-salary increments will drop from 5.1 per cent this year to 4.2 per cent in 2009.

"Salary growth will be led by the GDP growth. That means anywhere from a contraction of 1 per cent to growth of 2 per cent."

Ms Annie Yap, chief executive of recruiting firm The GMP Group

Standard Chartered economist Alvin Liew said: "If you're cherry-picking, you can definitely find some sectors with higher figures.

"But wage growth is more likely to be zero. You're looking at stagnant wages or in some cases, a slight contraction, but not wage growth."

Mr Tim Hird, managing director of HR consultancy Robert Half Singapore, agreed: "We would expect wages to more likely remain stagnant or decline, instead of increase.

"This will hit most industries, especially economic bellwethers like banking and finance, manufacturing and property."

Ms Annie Yap, chief executive of recruiting firm The GMP Group, said: "Salary growth will be led by the GDP growth. That means anywhere from a contraction of 1 per cent to growth of 2 per cent."

"With the projected GDP growth for 2009 ranging from minus 1 per cent to 2 per cent, a 4.2 per cent increase is too generous."

Barclays Capital economist Leong Wai Ho said: "We're likely to see average real wages flat next year or declining very slightly like in 2002, so if inflation is 1 per cent, wage growth will trend around that level."

Michael Page International's director, Ms Tulika Tripathi, agreed: "There will not be any net increases in salary next year."

The firm conducted its own survey and found there will be a 3 to 5 per cent wage growth for some sectors like pharmaceuticals.

But Ms Tripathi said: "We don't think that is an across-the-board thing. The financial services, electronics and manufacturing sectors are not looking at any increase."

Mr Christian Vo Phuoc, Hay Group Singapore's country manager for reward information services, said: "Our interviews indicate that the average base salary increase ranges from 3.2 to 3.4 per cent, even after taking into account companies who cite zero salary increase."

Adecco Asia said: "It is likely that salaries in some sectors could continue to increase as much as this."

It added, however, that to project a more accurate percentage rise "at this stage would not be possible".

People looking for their first jobs will suffer, said Mr Philippe Capsie, country manager of Manpower Singapore.

Mr Capsie expects "a decline in the starting salaries for fresh graduates".

Unionists have been also candid about what they see ahead for wages.

NTUC secretary-general Lim Swee Say had earlier dismissed the figure of 4.2 per cent as "highly unrealistic", while Acting Manpower Minister Gan Kim Yong called it "treacherous" to try to predict wage increases for next year, "better for us to save jobs and save businesses".

As companies around the world are announcing layoffs, wage cuts and freezes, a growth percentage larger than zero could certainly seem far-fetched.

Globally, Merrill Lynch and Cathay Pacific Airways have already chopped employee bonuses in half.

CapitaLand here will trim junior executive salaries by 3 per cent, while chief executive Liew Mun Leong is taking a 20 per cent pay cut.

Senior staffers at Temasek Holdings have volunteered to take a pay cut of 15 to 25 per cent, while wages will be frozen for senior management at Singapore Press Holdings.

And the Government has said ministers and senior officials could see their annual pay cut by up to 19 per cent.

Mercer said that its average of 4.2 per cent did not factor into the final calculation the one in 10 companies surveyed that said they would freeze wages.

Mr Derek Berry, Mercer Singapore's business leader of human capital, said: "If included, the forecast increase is closer to 3.8 per cent."

One HR consultancy appears to agree with Mercer's findings.

Mr Mark Ellwood, director of Robert Walters, said: "Wage inflation follows the Consumer Price Index, so 4.2 per cent as an average for the year is probably about right."

But he added that the figure "might end up being too high in retrospect" as inflation - which hit highs of between 6 and 8 per cent this year - is likely to drop next year.

Robert Walters' salary survey will be out in February.

Meanwhile, Citigroup economist Kit Wei Zheng said he "won't be surprised if some companies continue to give increments to high performers, albeit more modest ones".

"It makes sense to continue to retain good staff and position yourself for the recovery - when it happens," he said.

Mercer's Mr Berry said companies were likely to review salaries again next year, and that his firm would conduct another study in January to see if things had changed.

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