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Freeze or cut wages to save jobs? We're already doing that, say firms

CRYSTAL CHAN
crystalc@sph.com.sg

THE National Wages Council has come up with recommendations that companies have already begun to implement: Wage freeze and cuts.

As early as November, when the recession hit, some businesses began cutting or freezing salaries to contain costs and avoid retrenchments.

Companies are also cutting costs in areas other than staffing.

These were exactly the measures that the NWC recommended yesterday, after taking the unusual step of meeting for the second time in eight months to tackle the worsening economy.

Ms Winnie Low, general manager of recruitment consultancy Words and Action, which specialises in banking jobs, said her clients are already offering salaries that are 10 to 20 per cent less.

She said: "The banks did their calculations based on the demand for jobs and the supply of job-seekers, especially with the next batch of fresh graduates entering the market soon.

"Banks are offering mainly contract positions but job-seekers don't mind as banking is still seen as being glamorous."

Restaurateur Beppe De Vito has also cut his staff's salaries by up to 20 per cent, and done away with part-timers.

Mr De Vito, who owns high-end Italian restaurants Il Lido and Forlino, said: "The main priority should be to maintain the costs close to what was budgeted."

He also implemented other cost-saving measures, such as reducing advertising and replacing expensive dishes with cheaper ones to attract budget-conscious diners.

At yesterday's conference, the NWC said 2,346 workers were axed in the third quarter of last year, up from 1,798 the previous quarter. The number is expected to be substantially higher after Chinese New Year as the recession worsens.

While some companies have already taken the initiative to cut or freeze wages, Ms Lynne Ng, regional director of recruitment firm Adecco SEA, said the NWC's announcement means companies not already considering salary adjustments would note the consequences of the current market conditions.

Ms Ng said: "Whether the economy is performing well or badly, companies should always be thinking about the most optimal way to run their business."

The NWC also said that companies that are still doing well should give moderate wage increments to their workers.

This is a practice that restaurant chain Waraku, which has more than 200 staff, has already implemented.

Waraku's chief financial officer Francis Thong, said good performers were given moderate wage increments and bonuses. He declined to give figures.

Last resort

He said: "Layoffs and wage cuts will be a last resort. I won't say we're doing well, but we still need staff as we're going ahead with expansion, given the opportunities."

Mr Thong added that Waraku has implemented other cost-saving measures, such as producing ingredients in-house instead of relying on imports.

He said: "We're performance-driven so rewarding good staff will motivate them to do better."

There were mixed feelings among employees whose salaries have been cut.

Writer Jimmy Xu, 28, whose employer has cut salaries by 10 per cent, said: "My employer undertook these measures despite being profitable. I think some companies are just taking advantage of the bad times to exploit their staff."

Mr Xu added that besides wage cuts, his employer has also implemented a compulsory alternate four-day working week for staff.

However, Mr Patrick Koh, 35, an accounts director, feels wage cuts were all right so long as jobs are not lost.

"It (a CPF cut) has long-term implications. It affects employees' savings, housing, medical care and old age allowances."

- NWC chairman Professor Lim Pin
on why the council decided against
CPF cuts

He said: "My company has frozen salaries but I'm all right with this. In times like these, it's better to keep my job than to have an increment."

Recruitment experts said it is not unusual for companies to cut costs even when they are doing well.

Ms Annie Yap, chief executive of GMP Group, said: "Because it is hard to predict how the recession will turn out, these companies might retrench unproductive staff to contain costs."

No CPF cut

NWC chairman Professor Lim Pin said his council had considered CPF cuts, but decided against it as it was a blunt tool that would affect workers in companies that were doing well too.

Prof Lim said: "More importantly, it has long-term implications. It affects employees' savings, housing, medical care and old age allowances."