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More SMEs embrace flexible wage systems

By: LYNN LEE

MORE workers in small and medium-size enterprises (SMEs) are seeing changes in the way salaries are structured, as companies continue to adopt flexible wage systems.

Such systems allow firms to keep salaries in line with business conditions and avoid layoffs by adjusting variable components and bonuses.

Bosses also have the flexibility to reward workers with bigger bonuses for good performance when businesses do well.

According to the Ministry of Manpower's latest report on wage reform, 73.4 per cent of workers in firms employing between 25 and 199 workers are on some form of flexible wage system.

These figures, which reflected the situation as of December last year, are an improvement on the 68.3 per cent from a year earlier.

The report, released yesterday, also showed that 90 per cent of workers in large companies had some form of flexible wage system - a figure similar to December 2005.

Human resource specialists like Ms Annie Yap, chief executive of human resource consultancy GMP, said it was evident that more small and medium-size firms were embracing the nationwide push for wage reform.

This began over four years ago when Singapore was hit by an economic downturn.

Said Ms Yap: "Times might be better now. But things can change rapidly. Companies realise that if wages are more flexible, they won't be tied up with high fixed costs even if another recession hits."

In all, 83.3 per cent of workers across the private sector were being paid under some form of flexible wage system as of December last year, up from 81.1 per cent a year earlier.

Their firms had implemented at least one of three key recommendations made by the Tripartite Taskforce on Wage Restructuring in 2004.

They were: linking bonuses to a company and individual's performance; having a portion of a worker's monthly salary as a variable component that can be trimmed in bad times; and narrowing the gap between the highest and lowest pay a worker can get for doing the same job, to 1.5 times or less.

The third recommendation continued to be the most popular. The survey showed that 60.2 per cent of the workforce were in firms that had adopted it.

Only 37.2 per cent were in firms that adopted the monthly variable component.

Some industries found it easier to implement the recommendations than others.

For example, over 90 per cent of information and communications, and hotel and restaurant workers were in firms with a flexible system. This compares to 70 per cent of those in the construction sector and 74 per cent of those in the marine industry, both of which have a high reliance on foreign workers.