

# Wage cuts to save jobs

The National Wages Council has issued guidelines on how temporary pay cuts could be implemented, once government support and other cost-saving measures have been exhausted. This is how the wage cuts might impact two hypothetical workers before, during and after the Covid-19 pandemic.

## Ms Tan

### BEFORE CRISIS

Monthly basic pay:

**\$2,000**

### DURING PANDEMIC

Basic pay:

**\$1,900**

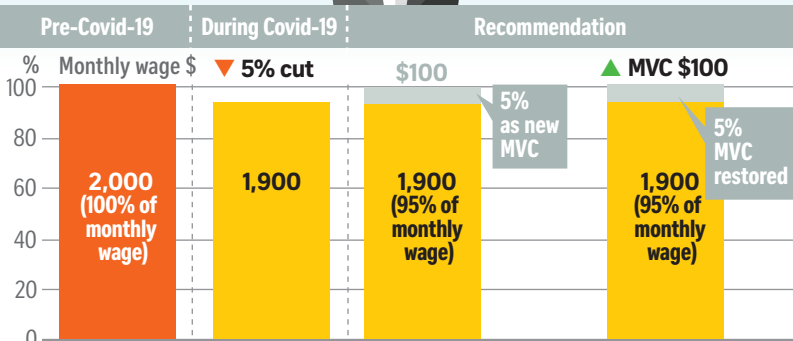


### AFTER RECOVERY

Basic pay:

**\$1,900**

MVC: **\$100**



Ms Tan gets a 5% pay cut, amounting to \$100. She now earns \$1,900 a month. Her employer recognises this 5 per cent as a new monthly variable component (MVC). This is a portion of the salary that can be cut in bad times to save jobs.

## Mr Singh

### BEFORE CRISIS

Monthly basic pay:

**\$2,000**

Annual bonus: **2 months**

### DURING PANDEMIC

Basic pay:

**\$1,600**

Annual bonus: **0**



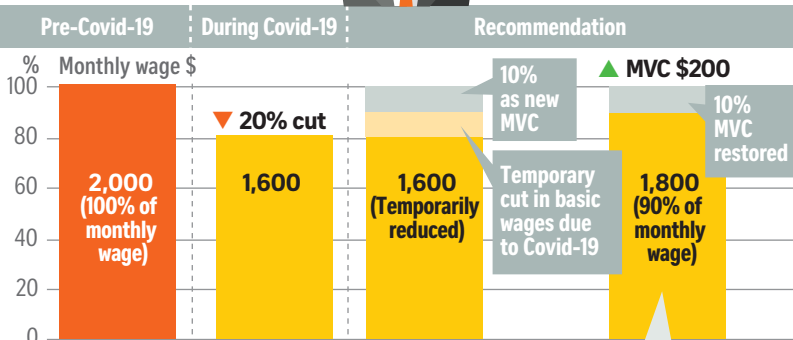
### AFTER RECOVERY

Basic pay:

**\$1,800**

MVC: **\$200**

Annual bonus: **2 months**



Mr Rajah gets a 20% pay cut, amounting to \$400. He also has no bonus this year. His employer recognises \$200, or 10% of his original pay as MVC. The other \$200 is seen as part of his basic pay. His employer also recognises his annual bonus – which amounts to about 14% of his annual wage – as the annual variable component (AVC).

Mr Rajah's employer restores his basic pay so that he is earning \$1,800, followed by the additional \$200 which makes up the MVC. He also gets back his annual bonus, or AVC, which his employer should build up until it reaches 20% of his annual pay package.