

**Wage Credit Scheme (Worked Scenarios)**

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## Wage Credit Scheme (Worked Scenarios)

### Computation of Wage Credit

#### Scenario 1: Basis of Computation

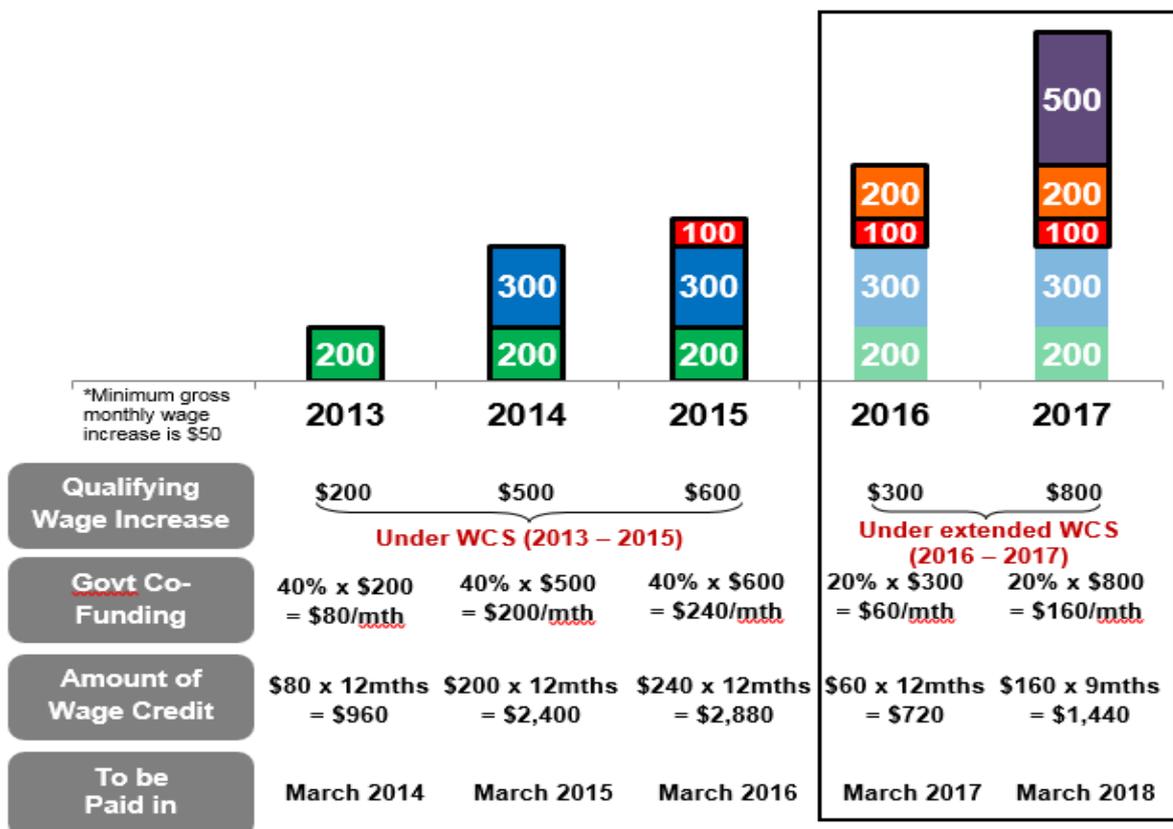
##### How does the Wage Credit Scheme (WCS) work?

To give firms more time to adjust to rising wages in the tight labour market, the Government has extended the WCS for two more years, i.e. 2016 and 2017, with reduced level of co-funding.

Under the extended Scheme, the Government will co-fund 20%, instead of 40% in qualifying years 2013 to 2015, of wage increases given to Singaporean employees earning a gross monthly wage of \$4,000 and below. In addition, gross monthly wage increases of at least \$50 - given in 2015 that is sustained in 2016 /2017 by the same employer, and given in 2016 that is sustained in 2017 by the same employer; will continue to be co-funded at 20%.

Suppose an employer hires an employee from January 2012 to September 2017.

#### Gross Monthly Wage Increases



	2012	2013	2014	2015	2016	2017
Number of calendar months on employer's payroll	12	12	12	12	12	9
Basic monthly wage	\$1,500	\$1,600	\$1,900	\$2,000	\$2,100	\$2,400
Monthly food allowance	\$300	\$300	\$300	\$300	\$300	\$500
Annual bonus in Dec	\$2,400	\$3,600	\$3,600	\$3,600	\$4,800	\$3,600
<b>Gross monthly wage</b>	<b>\$2,000</b>	<b>\$2,200</b>	<b>\$2,500</b>	<b>\$2,600</b>	<b>\$2,800</b>	<b>\$3,300</b>

Gross Monthly Wage in 2012 = \$2,000  
 Gross Monthly Wage in 2013 = \$2,200 (Increase of \$200 in 2013 over 2012)  
 Gross Monthly Wage in 2014 = \$2,500 (Increase of \$300 in 2014 over 2013)  
 Gross Monthly Wage in 2015 = \$2,600 (Increase of \$100 in 2015 over 2014)  
 Gross Monthly Wage in 2016 = \$2,800 (Increase of \$200 in 2016 over 2015)  
 Gross Monthly Wage in 2017 = \$3,300 (Increase of \$500 in 2017 over 2016)

Wage Credit for Qualifying Year 2013 = 40% of (\$200 X 12 months) = \$960

Wage Credit for Qualifying Year 2014 = \$960 (sustained) + 40% of (\$300 X 12 months) = \$2,400

Wage Credit for Qualifying Year 2015 = \$2,400 (sustained) + 40% of (\$100 X 12 months) = \$2,880

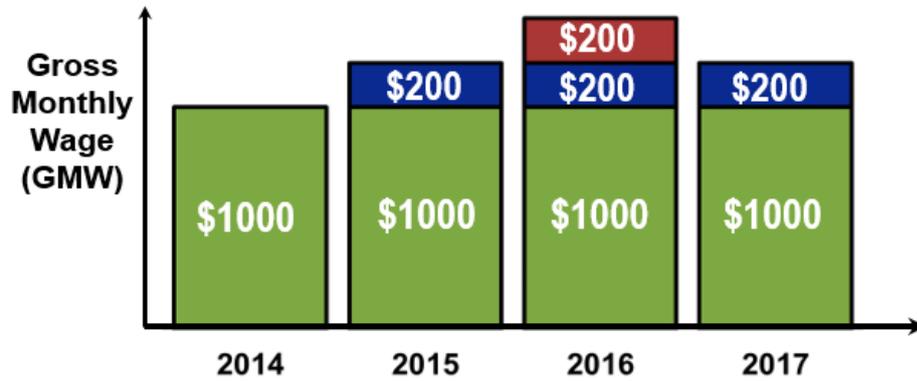
Wage Credit for Qualifying Year 2016 = 20% of [(\$100 sustained + \$200) X 12 months] = \$720

Wage Credit for Qualifying Year 2017 = 20% of [(\$100 sustained + \$200 sustained + \$500) X 9 months]  
= \$1,440

Total Wage Credit for 2013 to 2017 = \$8,400

## Scenario 2: Sustaining Wage Increases

What happens if an employer gives a wage increase in one year, and in another year, does not sustain the wage increase?



<b>Govt co-funds</b>	\$-	40% x \$200 = \$80	20% x \$400 = \$80	20% x \$200 = \$40
<b>Wage Credit</b>	\$-	\$80 x 12 = \$960	\$80 x 12 = \$960	\$40 x 12 = \$480

Suppose an employer hires an employee in 2014 to 2017.

	2014	2015	2016	2017
Number of calendar months on employer's payroll	12	12	12	12
Basic monthly wage	\$1,500	\$1,600	\$1,800	\$1,800
Monthly food allowance	\$300	\$300	\$300	\$300
Annual bonus in Dec	\$2,400	\$3,600	\$3,600	\$1,200
<b>Gross monthly wage</b>	<b>\$2,000</b>	<b>\$2,200</b>	<b>\$2,400</b>	<b>\$2,200</b>

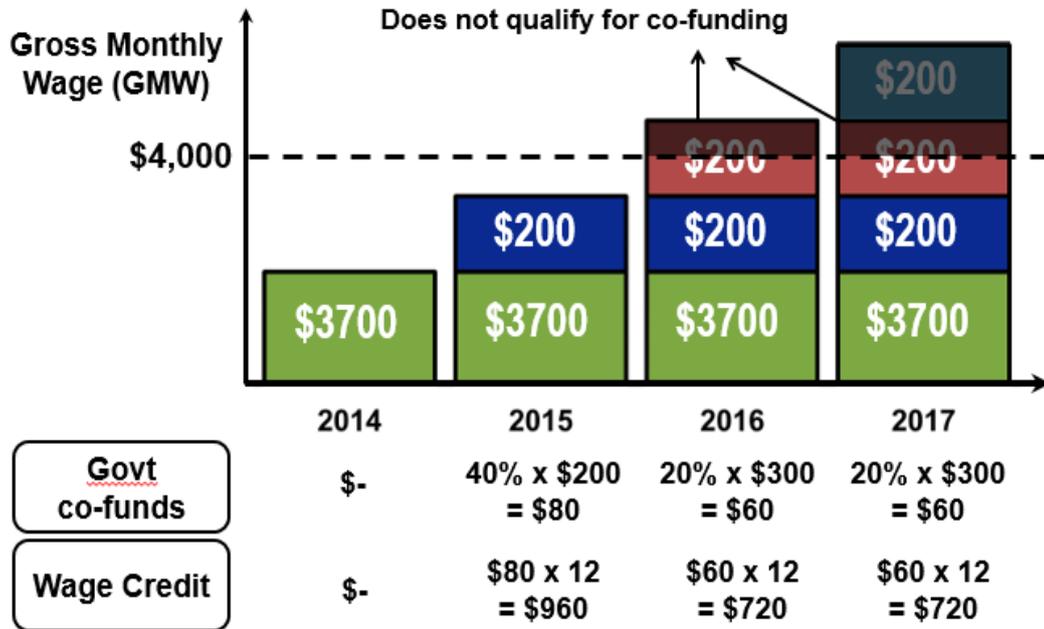
Gross Monthly Wage in 2014 = \$2,000  
 Gross Monthly Wage in 2015 = \$2,200 (Increase of \$200 in 2015 over 2014)  
 Gross Monthly Wage in 2016 = \$2,400 (Increase of \$200 in 2016 over 2015)  
 Gross Monthly Wage in 2017 = \$2,200 (Decrease of \$200 in 2017 over 2016)

Wage Credit for Qualifying Year 2015 = 40% of (\$200 X 12 months) = \$960  
 Wage Credit for Qualifying Year 2016 = 20% of [(\$200 sustained + \$200) x 12 months] = \$960  
 Wage Credit for Qualifying Year 2017 = 20% of (\$200 sustained x 12 months) = \$480  
 Total Wage Credit for 2015 to 2017 = \$2,400

In 2017, the \$200 additional wage increase given in 2016 is not sustained. However, the employer will continue to receive Wage Credit on the \$200 sustained wage increase that he had previously given in 2015 over 2014. Hence, the employer will receive a Wage Credit of \$40 (20% x \$200), for each month the employee had worked with him in 2017.

### Scenario 3: Gross Monthly Wage Ceiling (\$4,000)

What happens if an employer gives a wage increase that brings the employee's gross monthly wage above \$4,000?



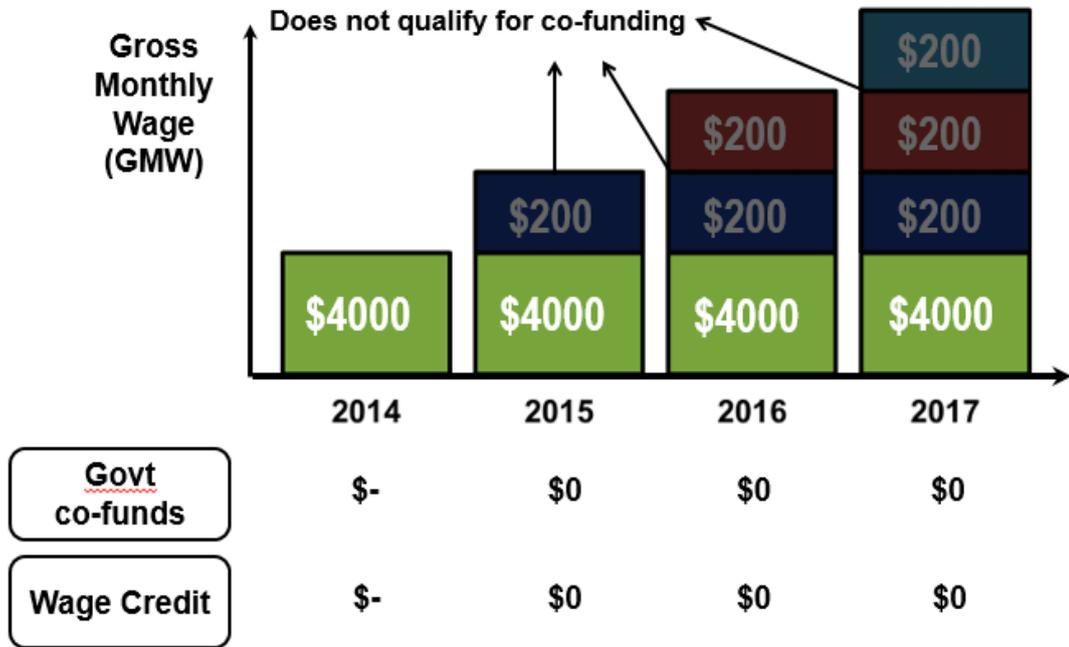
In 2014, the employee's gross monthly wage is \$3,700. In 2015, the employer gave a gross monthly wage increase of \$200. The employer will receive a Wage Credit of \$80 (40% x \$200) for each month the employee had worked with him in 2015.

In 2016, the employer gave a further wage increase of \$200. This brings the gross monthly wage to \$4,100, which is above the \$4,000 wage ceiling. Only \$100 of the additional wage increase will qualify for co-funding. The \$200 sustained wage increase that was previously given in 2015 will continue to qualify for co-funding. Hence, the employer will receive a Wage Credit of \$60 (20% x \$300) for each month the employee had worked with him in 2016.

In 2017, any further wage increase will no longer qualify for co-funding as the gross monthly wage has reached the \$4,000 wage ceiling. However, the employer can still qualify for Wage Credit on any sustained wage increases that he had previously given in the last two qualifying years – 2015 and 2016. Hence, the employer will continue to receive a Wage Credit of \$60 for each month the employee had worked with him in 2017.

**Scenario 4: Gross Monthly Wage Ceiling (\$4,000)**

What happens if an employee earns a gross monthly wage of \$4,000 in 2014 and further receives a wage increase that brings the employee's gross monthly wage above \$4,000?



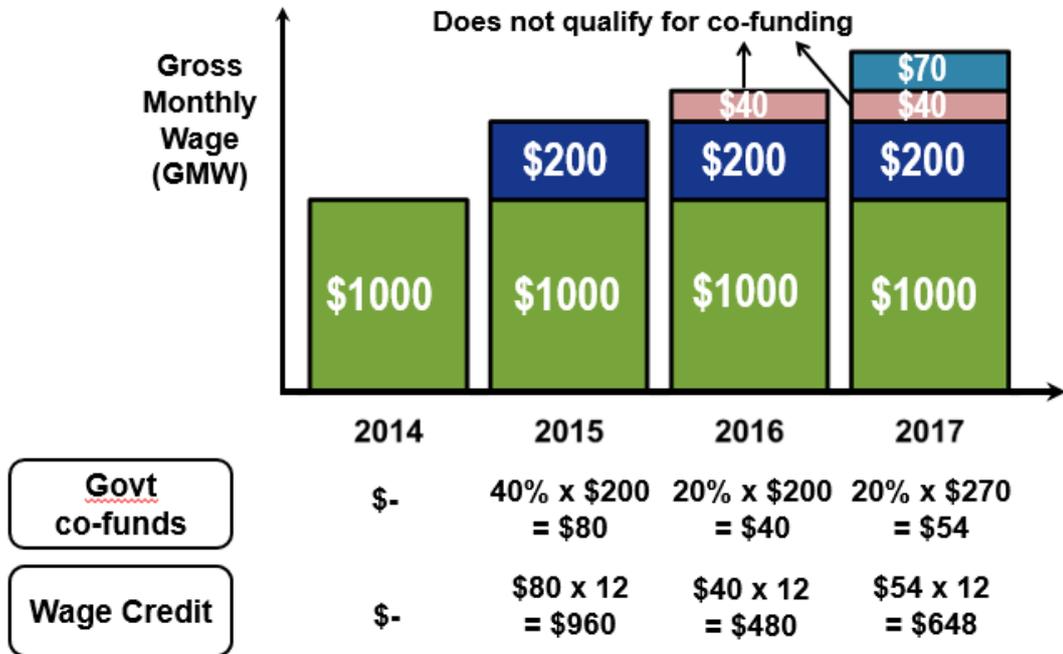
In 2014, the employee's gross monthly wage is \$4,000.

In 2015, 2016 and 2017, any further wage increase will no longer qualify for co-funding as the gross monthly wage has reached the \$4,000 wage ceiling.

**Scenario 5: Gross Monthly Wage Increase (at least \$50)**

**What happens if an employer gives a gross monthly wage increase of less than \$50?**

Gross monthly wage increases between the qualifying and preceding year must be at least \$50.



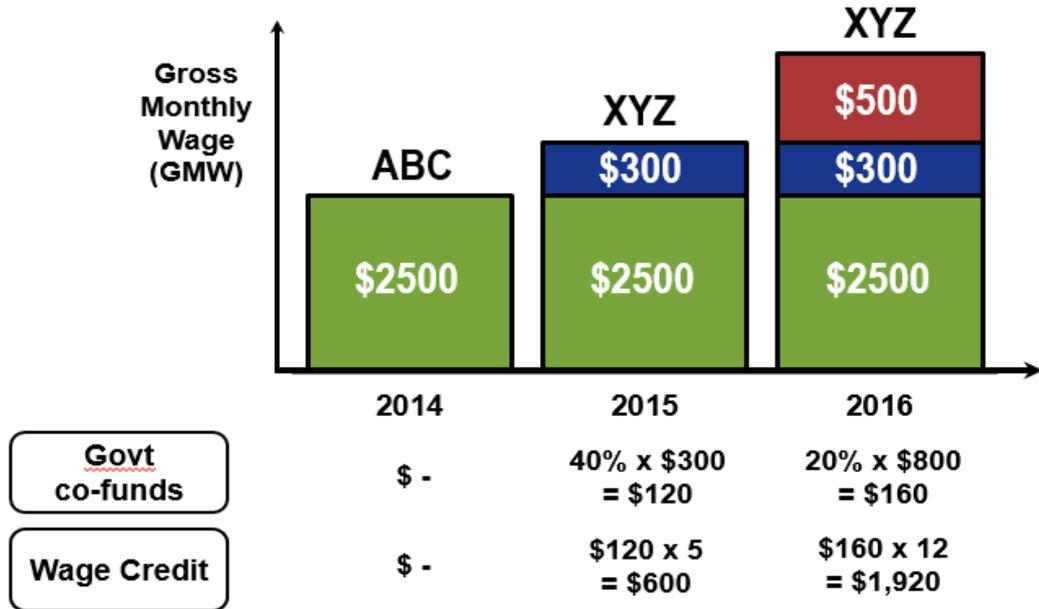
In 2015, the employer gave a gross monthly wage increase of \$200. As the wage increase is at least \$50, the employer will receive a Wage Credit of \$80 (40% x \$200) for each month the employee had worked with him in 2015.

In 2016, the employer gave a further wage increase of \$40. As the wage increase is less than \$50, the employer will not receive any Wage Credit for the \$40 gross monthly wage increase. However, he will continue to receive a Wage Credit of \$40 (20% x \$200, sustained) for each month the employee had worked with him in 2016.

In 2017, the employer gave an additional wage increase of \$70. As the additional wage increase is at least \$50, the employer will receive a Wage Credit of \$54 [20% x (\$200 sustained + \$70)] for each month the employee had worked with him in 2017.

**Scenario 6: Computing Wage Credit for New Hires**

What happens if an employer gave a gross monthly wage increase (of at least \$50) to a new employee who was previously working for a different employer in the preceding year?



Employee A worked at company ABC from January 2014 to July 2015 and he earned a gross monthly wage of \$2,500 in 2014.

Employee A then joined company XYZ from August 2015 to December 2016 and he earned a gross monthly wage of \$2,800 in 2015.

In 2016, the employee earned a gross monthly wage of \$3,300.

Gross monthly wage in 2014 with ABC = \$2,500

Gross monthly wage in 2015 with XYZ = \$2,800 (increase of \$300 in 2015 over 2014)

Gross monthly wage in 2016 with XYZ = \$3,300 (increase of \$500 in 2016 over 2015)

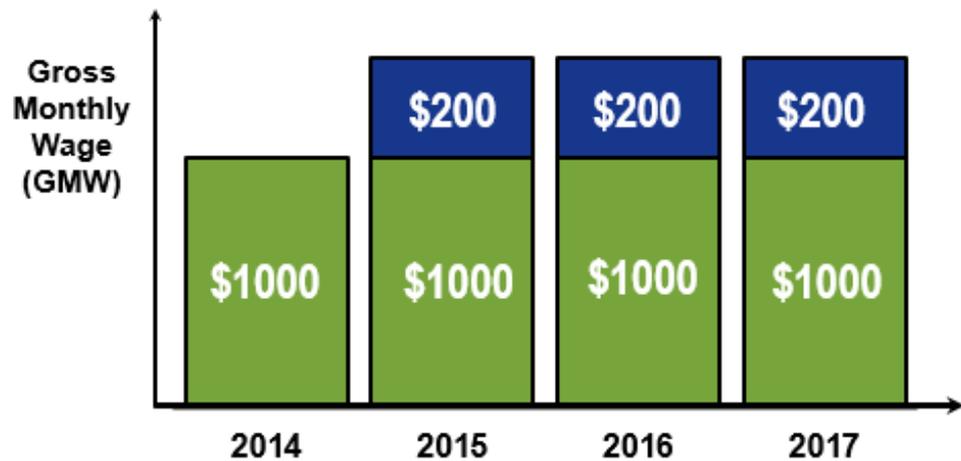
Wage Credit for XYZ in qualifying year 2015 = 40% of (\$300 x 5 months) = \$600

Wage Credit for XYZ in qualifying year 2016 = 20% of [(\$300 sustained + \$500) x 12 months] = \$1,920

As long as the new employee received at least 3 months of CPF contributions from his/her previous employment in the preceding year and assuming all qualifying conditions are satisfied, you will be able to qualify for Wage Credit based on the increase in the gross monthly wage over his previous year's gross monthly wage.

**Scenario 7: Gross monthly wage increase of ≥\$50 given in year 2015 was sustained in year 2016 and 2017 by the same employer.**

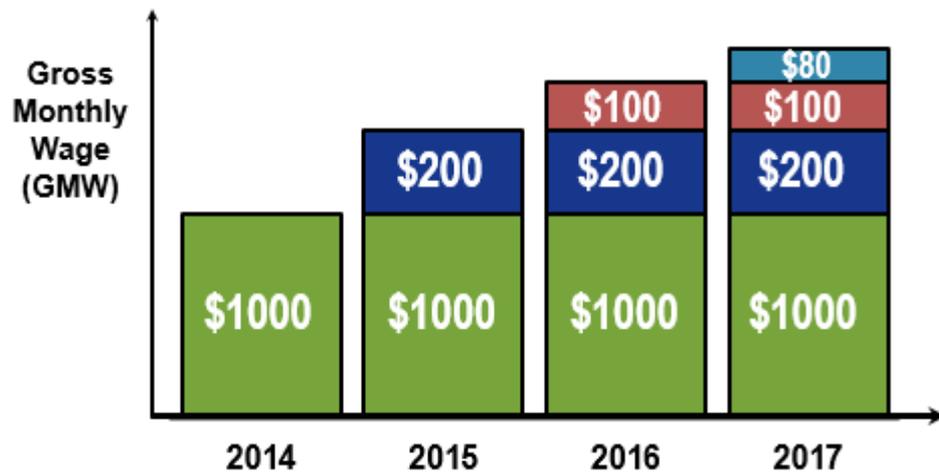
**Example: Wage increase of \$200 given in 2015 was sustained in 2016 and 2017.**



	2014	2015	2016	2017
<b>Govt co-funds</b>	\$-	40% x \$200 = \$80	20% x \$200 = \$40	20% x \$200 = \$40
<b>Wage Credit</b>	\$-	\$80 x 12 = \$960	\$40 x 12 = \$480	\$40 x 12 = \$480

**Scenario 8: Gross Monthly Wage increase of ≥\$50 given in year 2015 was sustained and further increased by ≥\$50 in year 2016 and 2017 by the same employer.**

**Example: Wage increase of \$200 given in 2015 was sustained in 2016 and 2017. A further wage increase of \$100 given in 2016 was sustained and further increased by another \$80 in 2017.**



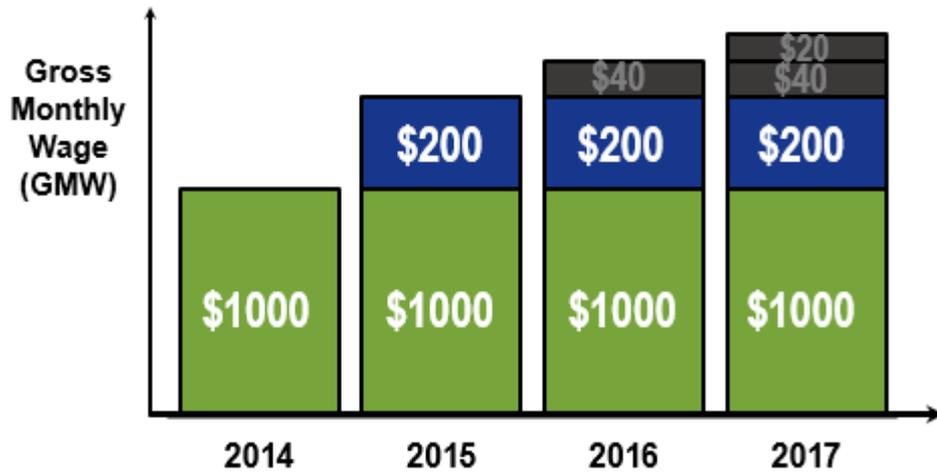
**Govt co-funds**

**Wage Credit**

	2014	2015	2016	2017
<b>Govt co-funds</b>	\$-	40% x \$200 = \$80	20% x \$300 = \$60	20% x \$380 = \$76
<b>Wage Credit</b>	\$-	\$80 x 12 = \$960	\$60 x 12 = \$720	\$76 x 12 = \$912

Scenario 9: Gross Monthly Wage increase of  $\geq \$50$  given in year 2015 was sustained and further increased by  $< \$50$  in year 2016 and 2017 by the same employer.

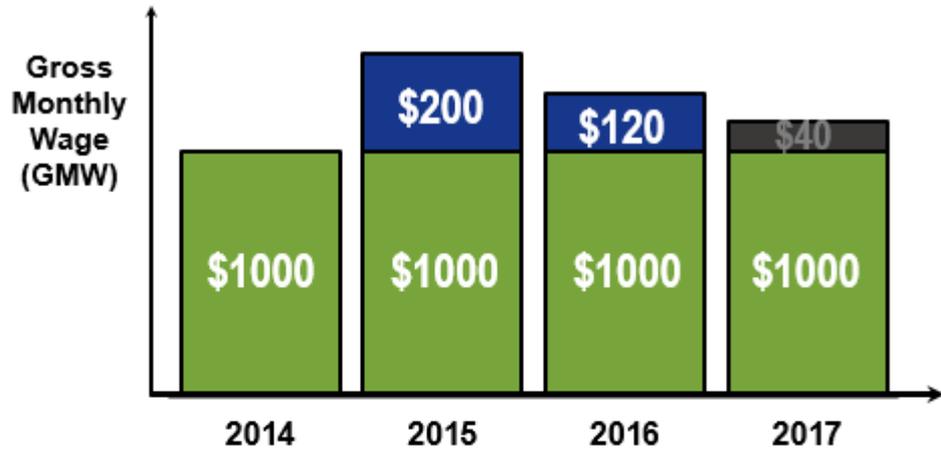
Example: Wage increase of \$200 given in 2015 was sustained in 2016 and 2017. A further wage increase of \$40 given in 2016 was sustained and further increased by another \$20 in 2017.



	2014	2015	2016	2017
<b>Govt co-funds</b>	\$-	$40\% \times \$200 = \$80$	$20\% \times \$200 = \$40$	$20\% \times \$200 = \$40$
<b>Wage Credit</b>	\$-	$\$80 \times 12 = \$960$	$\$40 \times 12 = \$480$	$\$40 \times 12 = \$480$

**Scenario 10: Gross monthly wage increase of  $\geq$ \$50 given in year 2015 was either not sustained or reduced in year 2016 and 2017 by the same employer such that the increase in year 2017 over 2014 was  $<$ \$50.**

**Example: Wage increase of \$200 given in 2015 was reduced to \$120 in 2016 and further reduced to \$40 in 2017.**



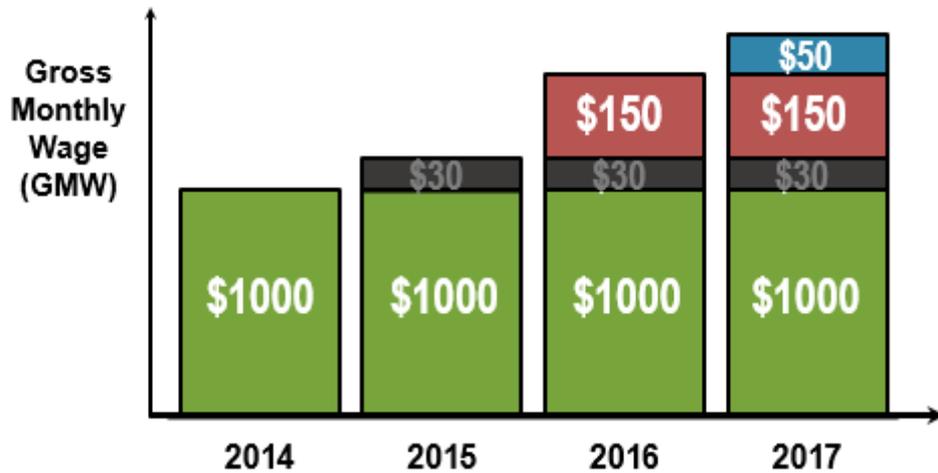
**Govt co-funds**

**Wage Credit**

	2014	2015	2016	2017
<b>Govt co-funds</b>	\$-	$40\% \times \$200 = \$80$	$20\% \times \$120 = \$24$	\$-
<b>Wage Credit</b>	\$-	$\$80 \times 12 = \$960$	$\$24 \times 12 = \$288$	\$-

**Scenario 11: Gross monthly wage increase of <\$50 given in year 2015 was sustained and further increased by ≥\$50 in year 2016 and 2017 by the same employer.**

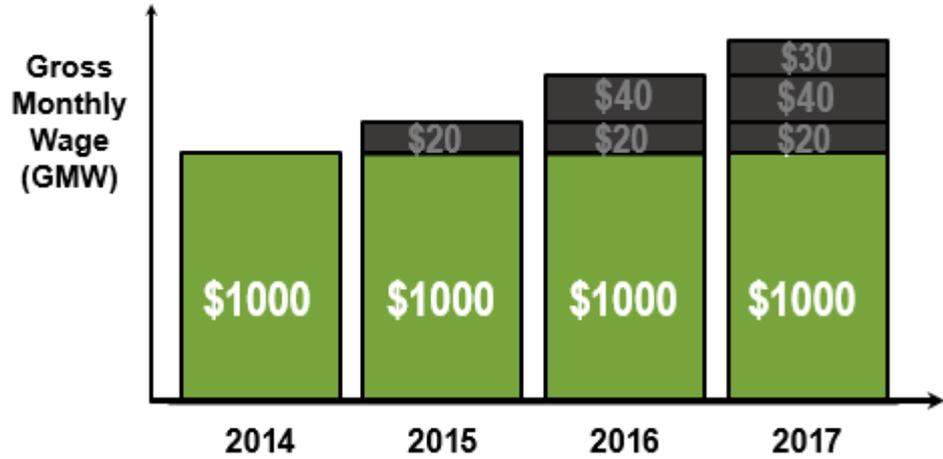
**Example: Wage increase of \$30 given in 2015 was sustained in 2016 and 2017. A further wage increase of \$150 given in 2016 was sustained and further increased by another \$50 in 2017.**



	2014	2015	2016	2017
<b>Govt co-funds</b>	\$-	\$-	20% x \$150 = \$30	20% x \$200 = \$40
<b>Wage Credit</b>	\$-	\$-	\$30 x 12 = \$360	\$40 x 12 = \$480

**Scenario 12: Gross monthly wage increase of <\$50 given in year 2015 was sustained and further increased by <\$50 in year 2016 and 2017 by the same employer.**

**Example: Wage increase of \$20 given in 2015 was sustained in 2016 and 2017. A further wage increase of \$40 given in 2016 was sustained and further increased by another \$30 in 2017.**



<b>Govt co-funds</b>	\$-	\$-	\$-	\$-
<b>Wage Credit</b>	\$-	\$-	\$-	\$-