Title : Temasek pay cuts: Will its associates follow suit?
By :
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SINGAPORE: When Temasek Holdings said last Friday that it was cutting the wages of its employees, the question that invariably popped up was: Would the Singapore companies that it has major stakes in follow suit?

After all, the investment firm continues to retain shareholder's clout in outfits that it once groomed for the good of the country's economy during the early days.

Since last week's announcement, at least one Temasek-linked company — CapitaLand — is looking to walk down the same path.

A spokesman of the property giant told Today: "In light of the present global financial crisis, CapitaLand management has already reviewed the situation in the context of its international operations ... An announcement will be made at an appropriate time on a proposed pay cut, with management taking the lead."

The last time CapitaLand carried out a significant pay cut was about five years ago, he said, and no staff was retrenched,

CapitaLand was one of 19 Temasek-linked companies, listed in the holding firm's 2007 annual report, polled by Today.

Seven either declined comment or failed to provide a response before press time.

The others gave mixed responses: Some had already implemented pay cuts, or preferred to focus on other cost-cutting measures, or were "monitoring the situation".

'Not necessary' to follow Temasek

Analysts felt it was not a must for these companies to follow their parent.

"There is no one-size-fits-all solution; these companies are in different industries, face different challenges and report to their own boards," said Professor Annie Koh, dean of executive and professional education at the Singapore Management University.

ForeCast economist Joanna Tan agreed. She said each company was likely to tailor its own strategy to tide over the downturn.

In fact, any salary adjustment by a Temasek-linked firm would probably be motivated more by competitive reasons, than by an imperative to follow the investment holding company, said Mr Christopher Leong, a partner at Chris-Allen Executive Search.

DBS Bank and chip-maker Chartered Semiconductor Manufacturing both tweaked the pay structure before Temasek's announcement.

A Chartered spokesperson said pay cuts — ranging fr om 5 to 20 per cent, based on job grades — were being implemented, as revealed during the company's third-quarter results at the end of last month.

Senior employees will naturally be subjected to bigger reduction than junior ones, the spokesperson added.

This is similar to Temasek, where nearly 90 per cent of the wage saving will be borne by "key managers".

At DBS, the bank has implemented lower pay for senior staff by reducing year-end bonuses, which Today understands can account for as much as half of a senior banking executive's annual compensation.

"Given the global economic turmoil, variable bonuses in 2008 will be significantly lower than that paid out in previous years," said a DBS spokesperson.

She added that DBS decided not to cut the monthly variable component — which makes up 10 per cent of an employee's fixed monthly salary — becaus e this would "make it more difficult for junior staff to make ends meet".

At least four Temasek-linked companies have signalled that wage cuts are not their first option.

MediaCorp's executive vice-president for human resource Chan Yit Foon said the group "will only consider pay cuts after exhausting a series of actions which include cuts in variable bonus and/or AWS, introducing shorter work week".

Likewise for transport operator SMRT Corp, whose spokesperson said "the company's focus on managing costs, even with higher and volatile energy prices, have paid off".

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