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Employment Trend and Structure



MINISTRY OF
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EMPLOYMENT TREND AND STRUCTURE

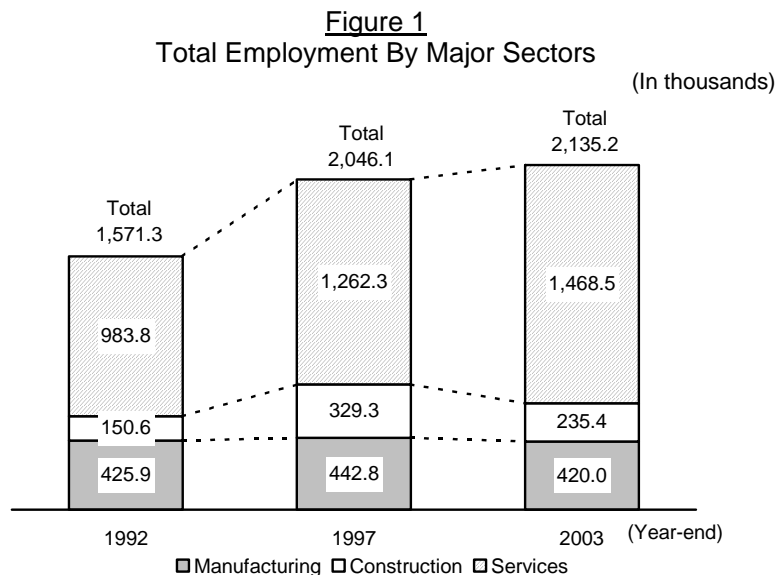
1 Introduction

1.1 Globalization, rapid technological advances and the rise of China and India have changed our economic environment fundamentally. Recent years have also seen Singapore hit by a series of shocks, namely, the 1997/8 Asian economic crisis, the 2001 global downturn, the rise of terrorism and the outbreak of SARS in 2003. These changes have left their mark on the employment landscape.

1.2 This report describes the trend and structure of employment in Singapore over the last decade, with breakdown into jobs going to locals¹ and foreigners in each major sector. The analysis is broken down into two periods, namely the economic boom years of 1993 to 1997 and the volatile years thereafter, with focus on 2003. The analysis draws on data compiled mainly from administrative records of Central Provident Fund Board and Ministry of Manpower.

2 Overall

2.1 In the last decade, the Singapore economy has created over half a million jobs on a net basis, reflecting the difference between jobs added and jobs lost. By the end of 2003, there were some 2,135,200 persons in employment. This was 563,900 more than at the start of 1993 (Figure 1).

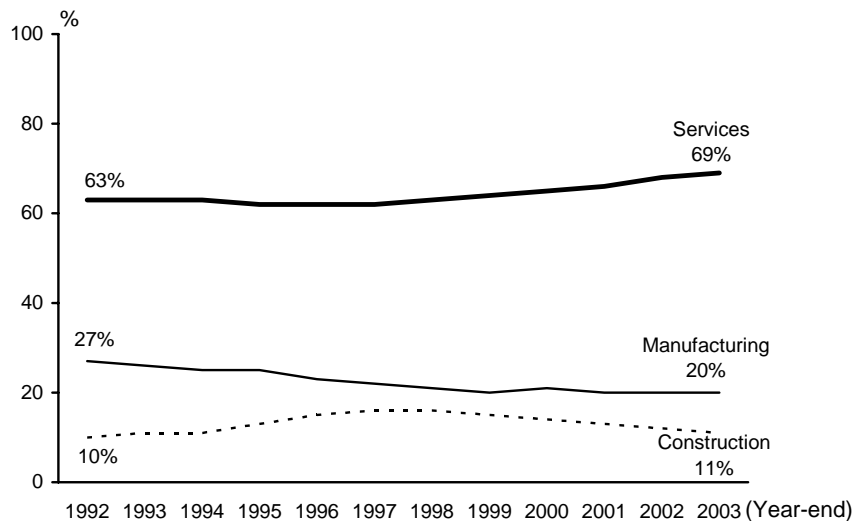


Note: Data do not add up to total because the residual "Others" category (comprising Agriculture, Fishing, Quarrying and Utilities) is not reflected.

¹ Locals comprise Singaporeans and Singapore permanent residents.

2.2 The bulk or 484,700 of the jobs created were from the services sector, which encompasses a broad range of activities such as business services, commerce, transport, communications, financial services, healthcare, education and personal services. Construction added some 84,800 workers. Manufacturing employment, on the other hand, was largely flat, with 2003 ending with 5,900 fewer workers than at the start of 1993. Consequently, the share of workers employed in manufacturing shrank from 27% in Dec 1992 to 20% in Dec 2003 while the services share rose from 63% to 69% over the same period (Figure 2). These changes are partly a manifestation of the shift towards higher value-added manufacturing, with jobs brought in by new manufacturing investments offset by those lost as manufacturers shift their low-end production to cheaper locations. At the same time, the services economy has grown as Singapore developed into a business hub, with advanced logistics and transport infrastructure and a reputable financial centre. The community, health care and education services have also grown over the years. This trend is not unique to Singapore. In almost every developed economy, employment has shifted from manufacturing to services.

Figure 2
Employment Distribution By Major Sectors



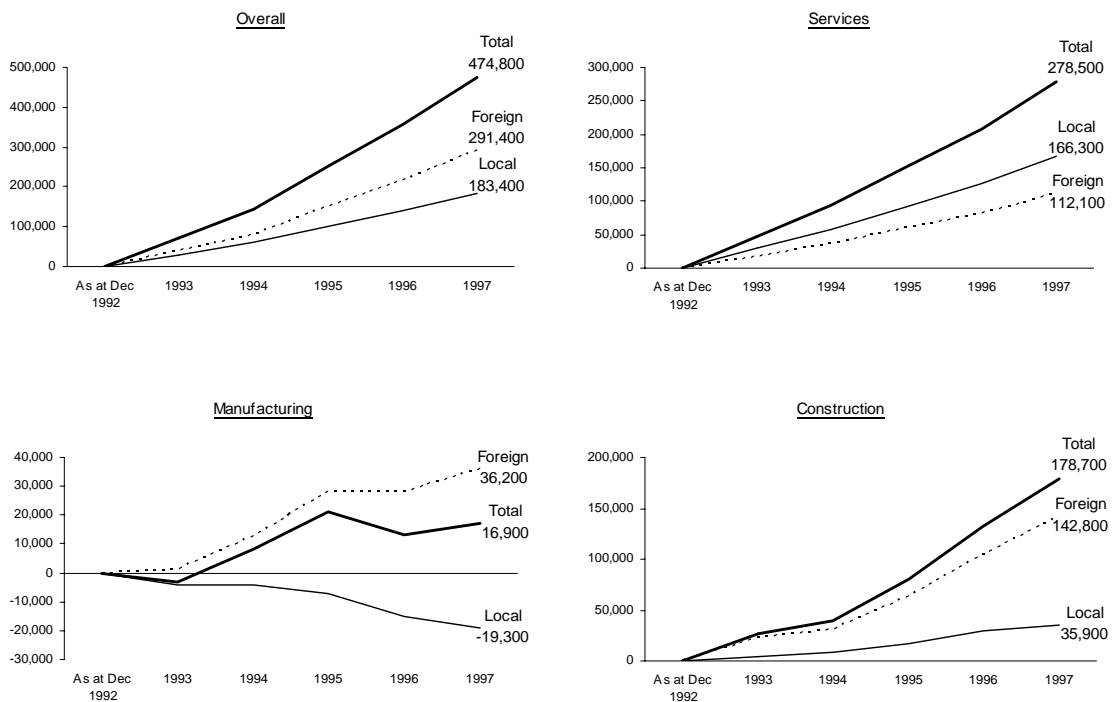
2.3 The decade is marked by two distinct periods. The boom years of 1993 to 1997, characterized by rapid economic expansion and robust job creation, came to an abrupt end with the onset of the Asian crisis in 1997/98. Major structural changes and economic shocks occurring thereafter have resulted in difficult and volatile economic conditions with serious challenges to employment. The subsequent sections describe the different economic conditions prevailing during the two periods and how these have affected workers.

3 Boom Years: 1993 – 1997

3.1 In an extension of the economic growth experienced since the mid-80s, 1993 to 1997 saw impressive economic expansion of 9% to 12% annually. This created as many as 474,800 jobs over the five-year period or close to 100,000 every year. The labour market was tight with unemployment hovering at only 2%. Workers enjoyed good wage increases averaging 6 to 9% annually².

3.2 Those were the days when jobs were chasing after workers. Over the five-year period, local employment rose by 183,400. With the economy creating more jobs than what locals could take on, foreigners took on the remaining 291,400 of the employment created (Figure 3). In other words, 6 out of every 10 of the new jobs created went to foreigners. Details of the annual change in employment are at [Appendix I](#).

Figure 3
Cumulative Employment Change By Major Sector And Residential Status, 1993 – 1997



3.3 Leading the job creation, the services sector added 166,300 locals to its workforce over the five years. With abundant job opportunities, locals were able to choose the jobs they liked. Thus, some 19,300 locals moved out of the manufacturing sector as low-end production shifted out of Singapore and new jobs

² Total wages rose annually by 8 to 9% in 1993 to 1994 and 7% from 1995 to 1996. Source: Annual Wages Survey

created involved demanding working conditions e.g. clean room environment and 12-hour shifts which many locals shunned. However, the displacement of locals in manufacturing did not result in a rise in unemployment as the strong job creation in the services sector was more than sufficient to absorb the workers displaced.

3.4 Foreigners moved into the manufacturing jobs not taken up by locals. At the higher end, the inflow of foreigners helped meet the demand for expertise and skills that were lacking locally, enabling the economy to grow strongly. Foreign employment rose across the major sectors led by construction (142,800), followed by services (112,100) and manufacturing (36,200). Overall, the share of foreigners in the workforce increased from 21% at the start of 1993 to 30% at the end of 1997.

4 Volatile Years: 1998 – 2003

4.1 From 1998 to 2003, the Singapore economy was hit by a series of external shocks. As workers from China and India entered the global market, the structural changes observed during the growth period of 1993 to 1997, accelerated in the wake of the currency crisis, global economic slowdown, terrorism and SARS outbreak.

4.2 Weighed down by the Asian financial crisis, the Singapore economy suffered its first employment contraction in 1998 (-23,400) since the mid-80s recession. Manufacturing was the hardest hit due to its strong export orientation. Weak demand for manufactured products due to reduced regional demand, erosion of our cost competitiveness (arising from a sharper depreciation of regional currencies) as well as an over-supply of certain manufactured products (e.g. electronics) resulted in the sector losing 27,600 jobs in the year. Construction suffered a small decline of 4,700 jobs. Only services managed slight employment growth (8,600) ([Figure 4](#)).

4.3 Locals saw losses totaling 27,700 jobs in 1998, the bulk of which were in manufacturing (-19,900). Foreigners also lost jobs in manufacturing (-7,700) and construction (-1,700), but this was offset by continued gains in services (13,800) mainly as foreign domestic maids. However, the quick recovery in 1999 which gained momentum in 2000 more than made up for the losses.

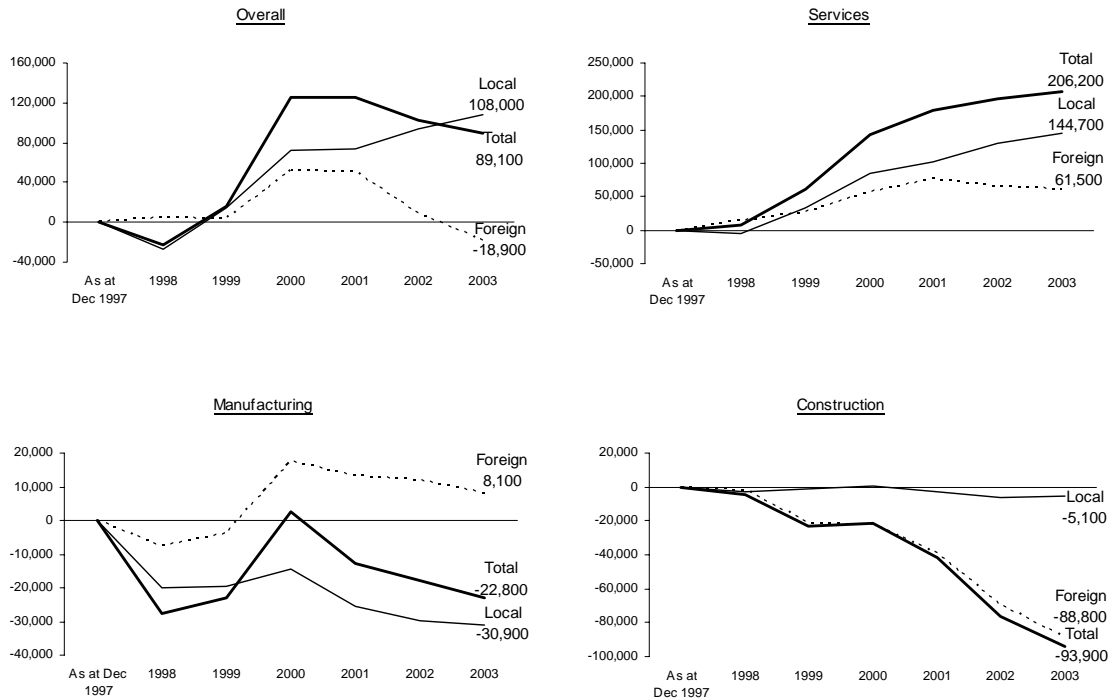
4.4 The expansion was not to last. By the start of 2001, the economy began to soften as it grappled with the effects of a global slump brought about by the bursting of the technology bubble in US. Economic conditions worsened in the aftermath of the September 11 terrorist attacks on the US. These took a heavy toll on the Singapore labour market, with employment declining by 22,900 over the next

two years (2001 to 2002). This time round, the foreign workforce buffered local workers by absorbing the losses. Foreign employment contracted by 43,700 over the two-year period, while local employment rose by 20,700.

4.5 The downturn accelerated the pace of restructuring. Manufacturing employment contracted by 20,500 over 2001 to 2002, affecting both locals and foreigners. In construction, government measures to reduce reliance on low-skilled foreign construction workers, continued to shave foreign employment in the sector. Coupled with the slump in building activities, the sector shed 54,800 jobs, nearly all of which belonged to foreigners. Restructuring also started to affect services, as advances in technology and rising competition resulted in greater pursuit of efficiency in many organizations. Nevertheless, compared with other sectors, employment in services as a whole was more resilient growing by 54,000 over the two years, of which the bulk (44,600) went to locals.

4.6 In all, 1998 to 2002 proved a trying time for the Singapore labour market. Over the five years only 102,000 jobs were created or just one-fifth of the 474,800 jobs created during the boom years of 1993 to 1997. Of the jobs created, 9 in every 10 went to locals. Although continued economic restructuring saw locals lose jobs in manufacturing (-29,800), this was offset by gains in services (129,800). However, the gains in local jobs were not sufficient to absorb the new entrants entering the labour market. Consequently, unemployment rose to hit 4.4% in 2002.

Figure 4
Cumulative Employment Change By Major Sector And Residential Status, 1998 – 2003



4.7 2003 was another volatile year. After a difficult first half brought about by uncertainties due to SARS, terrorism and the Iraq war, employment picked up in the second half of 2003, following the successful containment of SARS and revival in the global economy. The bulk of the employment increases came from the services sector, boosted by local hiring to cope with the post-SARS recovery and year-end festivities. Nonetheless, this increase was not enough to offset the losses suffered earlier in the year. As a result, employment ended 12,900 jobs lower in Dec 2003 from a year ago and unemployment rose to average 4.7% in 2003.

4.8 Foreigners continued to buffer the local workforce in 2003, as they suffered a third consecutive year of job losses (-27,900). In contrast, local employment increased by 14,900, nearly all of which were created in services. As at Dec 2003, there were 1,535,300 locals and 599,800 foreigners in employment. Reflecting the cutback in foreigners in recent years, Singapore's overall reliance on foreigners declined from 30% as at Dec 1997 to 28% in Dec 2003.

5 Concluding Remarks

5.1 The inflow of foreign workers into the economy has proved to be a buffer for the local workforce. During the growth period of 1993 to 1997, foreigners helped meet the shortage of workers, enabling the economy to grow beyond the confines of Singapore's indigenous resources. In the difficult years of 1998 to 2003, foreigners bore the brunt of the losses suffered.

5.2 The economy has finally turned the corner. The first three months of 2004 saw GDP expanding by a robust 7.5% from a year ago, continuing the strong growth momentum of the previous quarter. With the economy expected to recover strongly in the year, more jobs will be created. Nevertheless, structural challenges remain. Competition from lower-cost economies like China and India will continue to pose challenges to the creation of jobs in Singapore. With faster and cheaper communication links, pressure to locate jobs to where it offers the best value for money will persist as more firms seek productivity gains amidst a highly competitive global economy. Hence, job creation is unlikely to return to the robust pace of the pre-crisis years.

5.3 The new jobs created will also be different from those lost. As Singapore economy restructures up the value chain, the jobs created will need more specialized skills and knowledge, especially in the services-oriented economy. Workers must continue to pick up new skills and adapt to requirements of the new jobs created. Amidst a highly competitive global environment, business cycles will continue to be volatile. Hence, it is vital for wages and the workforce in general to be competitive and flexible, to enable Singapore to respond to changing market conditions.

EMPLOYMENT CHANGE, 1993 – 2003

In Thousands

	Employment Change											Employment level as at Dec 2003
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Overall												
Total	70.8	72.1	109.0	102.6	120.3	-23.4	39.9	108.5	-0.1	-22.9	-12.9	2,135.2
Local	29.7	33.0	37.6	39.9	43.2	-27.7	41.7	58.4	1.3	19.4	14.9	1,535.3
Foreign	41.1	39.1	71.4	62.7	77.1	4.3	-1.8	50.1	-1.4	-42.3	-27.9	599.8
Services												
Total	47.4	47.3	56.8	56.3	70.8	8.6	53.2	80.5	37.5	16.5	9.9	1,468.5
Local	29.6	28.8	33.3	33.8	40.9	-5.2	39.5	50.8	17.8	26.9	14.9	1,171.1
Foreign	17.7	18.5	23.5	22.5	29.9	13.8	13.7	29.7	19.7	-10.3	-5.1	297.4
Manufacturing												
Total	-3.1	11.6	12.5	-7.7	3.7	-27.6	4.4	25.8	-15.2	-5.3	-4.9	420.0
Local	-4.2	-0.2	-2.9	-7.9	-4.2	-19.9	0.4	4.8	-11.0	-4.1	-1.1	258.7
Foreign	1.0	11.8	15.3	0.2	7.9	-7.7	4.0	21.0	-4.2	-1.2	-3.8	161.4
Construction												
Total	26.4	13.1	40.6	52.8	45.8	-4.7	-18.0	1.1	-20.5	-34.3	-17.5	235.4
Local	4.0	4.3	8.0	12.9	6.7	-3.0	1.6	1.7	-3.4	-3.4	1.4	95.1
Foreign	22.4	8.8	32.6	40.0	39.1	-1.7	-19.6	-0.6	-17.1	-30.9	-18.8	140.3
Others*												
Total	0.2	-	-0.8	1.3	-	0.2	0.3	1.1	-1.9	0.2	-0.4	11.3
Local	0.2	-	-0.8	1.2	-0.1	0.3	0.2	1.1	-2.1	-	-0.2	10.5
Foreign	-0.1	-	-	0.1	0.1	-0.1	0.1	0.1	0.2	0.2	-0.2	0.8

* Includes Agriculture, Fishing, Quarrying and Utilities.

“-”: Nil or negligible.

Note:

Data may not add up to the total due to rounding.

EXPLANATORY NOTES

Employment

Source

Administrative records. The self-employed component is estimated from the Labour Force Survey.

Coverage

Employment statistics cover active Central Provident Fund (CPF) contributors, work permit and employment pass holders and the self-employed. Full-time national servicemen are excluded from the coverage.

Concepts and Definitions

Employment change refers to the difference in the employment level at the end of the reference period compared with the end of the preceding period.

Uses and Limitations

This data series allows the user to identify individual industries where employment is growing or stagnating. An analysis of the data over time also helps in understanding the impact of economic cyclical and structural changes on the demand for workers.

The change in employment over time is the net result of increases and decreases in employment i.e. net of inflows and outflows of workers. Users should not mistake an increase in employment as gross job creation.

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- | | Excellent | Good | Average | Poor |
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