

Box 2.1: Employment Trends During Recession: A Comparison From Peak to Trough

Overview

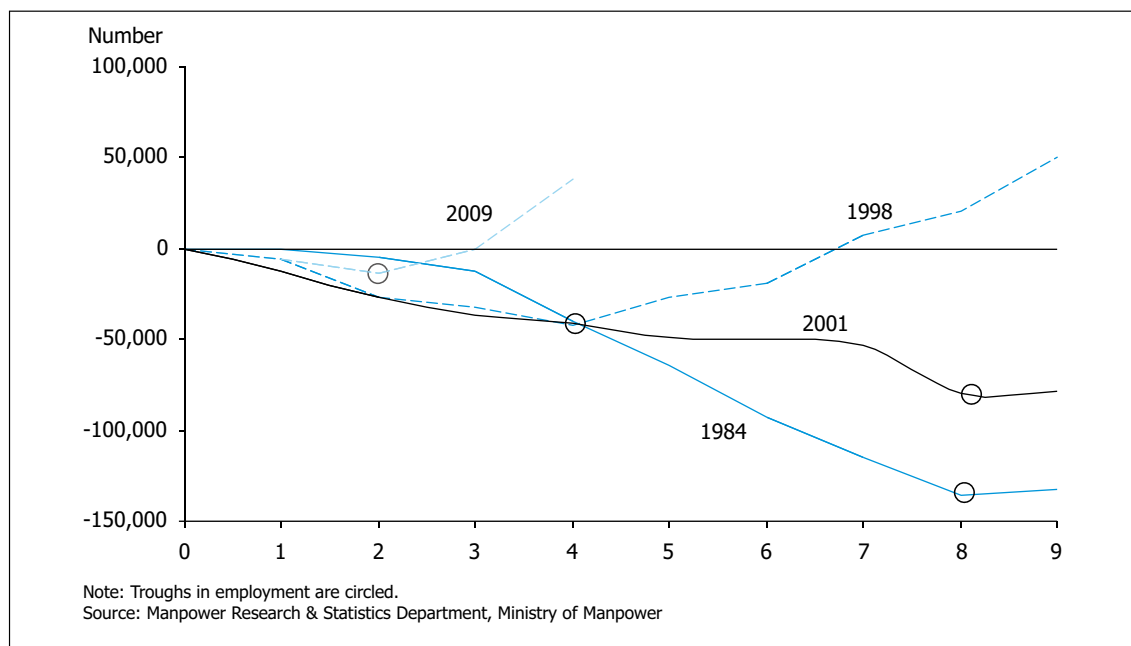
Over the last three decades, Singapore has experienced four periods of economic downturn during which employment saw a sustained decline. These were the 1984/1985 recession, the 1998 recession arising from the Asian Financial Crisis, the 2001 recession due to the dot.com bust, as well as the recent recession in 2008/2009 caused by the Global Financial Crisis. This box article reviews the employment trends during the 2008/2009 recession in comparison with the trends observed during previous recessions.¹

Peak-to-Trough Decline Compared to Previous Recessions

Rapid recovery in employment seen within two quarters...

Singapore entered the 2008/2009 recession in the second quarter of 2008 and emerged from it five quarters later in the second quarter of 2009. Historically, the labour market has tended to lag GDP by 2 to 3 quarters. This recession was no different, with employment levels starting to decline in the first quarter of 2009. From its peak in the fourth quarter of 2008, employment fell by 0.5 per cent (or 13,900) over two quarters to 2,938,600 in the second quarter of 2009. Employment quickly rebounded in the second half of the year and by the end of 2009, had exceeded pre-crisis levels to hit a new high of 2,991,200 (based on preliminary estimates). 2009 therefore marks the first calendar year in which Singapore experienced positive employment growth (1.3 per cent) with negative GDP growth (-2.0 per cent).

Exhibit 1: Cumulative Employment Change During Recessions



¹ For this study, we consider a recession to be characterised by at least two consecutive quarters of negative GDP growth on a seasonally-adjusted basis and to have 'ended' when positive sequential growth in seasonally-adjusted GDP is observed. However, the periods of the peak-to-trough decline in employment may not coincide with the periods of the peak-to-trough decline in GDP. For the purpose of analysing employment losses during recessions, we have used the peak-to-trough decline in employment, even though the recession may not have coincided with the peak-to-trough decline.

Compared to previous recessions, the peak-to-trough decline in employment during the 2008/2009 recession was uncharacteristically small and the turnaround unusually fast ([Exhibit 1](#)). Even though the 1984/1985 and 2001 recessions each lasted for a similar or shorter duration, they were characterised by sustained declines in employment that stretched for more than two years and resulted in more than 135,000 and 79,900 jobs lost respectively. The 1984 and 2001 recessions sparked off particularly long periods of weakness in the labour market, with employment declining over 8 quarters through the first quarter of 1986 and the second quarter of 2003 respectively. Similarly, employment during the 1998 recession only began to grow after a year of decline and a loss of 42,000 jobs.

Singapore's employment has recovered faster than other G3 economies...

With employment back at pre-crisis levels by the third quarter of 2009, Singapore stands in stark contrast to several developed economies, such as the US, UK and Japan, which are still facing sharp declines in employment as well as elevated unemployment rates. Within Asia, Hong Kong and Taiwan have seen more moderate employment declines, although their employment levels too remain below their previous peaks. In contrast, Korea, Malaysia and Thailand, like Singapore, also saw their employment reach new highs in 2009, although employment levels have moderated since then, possibly due to seasonal factors ([Exhibit 2](#)).

Exhibit 2: Decline in Employment Levels from Peak

	G3			NIEs			Regional	
	United States	United Kingdom	Japan	Hong Kong*	South Korea	Taiwan	Malaysia*	Thailand*
% Change From Recent 2009 Peak	-5.9	-2.0^	-2.7	-1.4^	-0.6	-0.6	0.0^	-1.5^
Unemployment Rate (%)	10.0	7.9	5.1	4.7	3.5	5.8	3.6	1.2
Quarter of Peak	1Q 07	2Q 08	4Q 07	4Q 08	3Q 09	2Q 08	2Q 09	2Q 09

Note: Seasonally adjusted unless otherwise indicated. (* not seasonally adjusted)

Data given for 3Q 2009 or 4Q 2009, depending on availability. (^ data for 3Q 2009)

Source: CEIC

Sectoral Composition of Peak-to-Trough Employment Decline

Construction made a positive contribution to employment growth, unlike previous recessions...

Apart from a peak-to-trough employment decline that was much smaller in magnitude and shorter in duration compared to previous recessions, there were also differences in the sectoral composition of the employment decline during the 2008/2009 recession. In past recessions, the construction sector tended to account for more than half of the employment decline ([Exhibit 3A](#)). In the 2008/2009 recession, however, construction added 13,000 jobs over the course of the two-quarter decline in employment, reflecting the large volume of private sector projects and civil engineering works.

In line with past recessions, "other services" comprising largely healthcare, education and public service jobs contributed positively to employment growth (18,400), while the commerce sectors comprising wholesale & retail and hotels & restaurants saw a decline (-6,900).

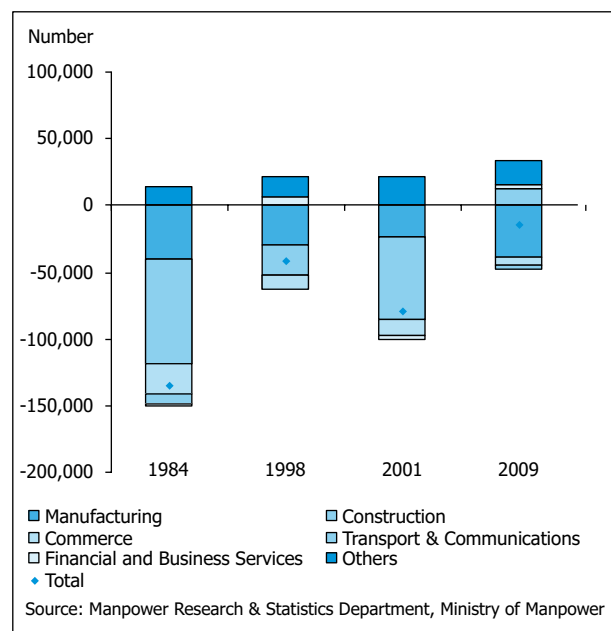
Offsetting gains in these sectors was manufacturing which shed the most jobs...

The manufacturing sector shed the most number of jobs during the 2008/2009 recession, offsetting gains in the construction and "other services". Employment loss in the manufacturing sector in the first two quarters of the year was 1.4 times that of the peak-to-trough overall employment loss excluding construction ([Exhibit 3B](#)). This was similar to the magnitude observed in

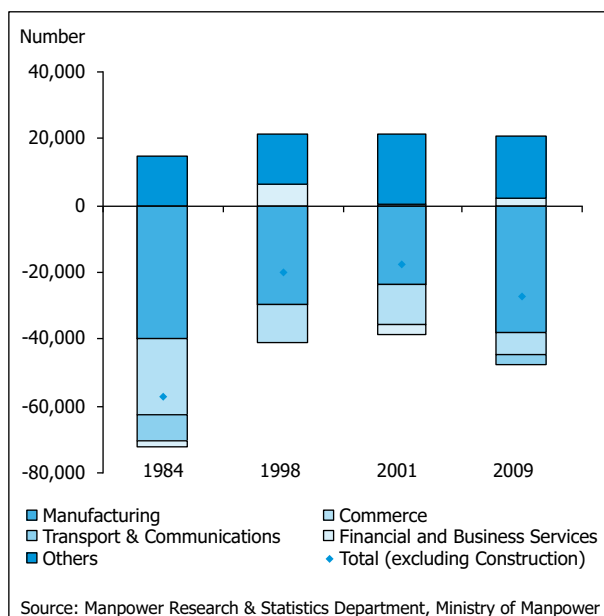
the 2001 recession (1.3 times) and the 1998 recession (1.5 times), though less than that seen in the 1984/1985 recession (0.7 times). However, in absolute numbers, the manufacturing sector lost more jobs this time (-38,000 jobs) compared to the more recent recessions in 2001 and 1998 (-23,400 and -29,800 jobs respectively).²

Exhibit 3: Peak-to Trough Decline in Employment

(A) Employment Change



(B) Employment Change (Excluding Construction)



Conclusion

Singapore's labour market has not been as adversely affected by the Global Financial Crisis as the G3 economies and many other Asian economies. The recovery in employment has also been much quicker compared to previous recessions. These outcomes may reflect the effects of the measures to support the labour market in 2009, such as the Jobs Credit Scheme.

Aside from construction, the sectoral composition of the peak-to-trough employment loss was largely similar to previous recessions. In particular, manufacturing job losses continued to be the main driver of the peak-to-trough decline in overall employment (excluding construction), while gains in 'other services' helped to offset the loss.

With the economic recovery underway and a positive growth outlook for 2010, labour market conditions are likely to continue to improve going forward. This is reflected in the results of the latest business expectation surveys which suggest that employment in the manufacturing sector will continue to stabilise while that for services will grow in the first half of the year.

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² Consistent with the rest of the study, these numbers reflect manufacturing employment decline over the period of overall employment decline (e.g. 1Q 2009 and 2Q 2009 in the case of the 2008/09 recession).