

CHAPTER 2

Labour Market and Productivity



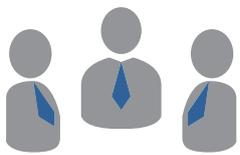


CHAPTER 2

LABOUR MARKET AND PRODUCTIVITY

EMPLOYMENT AND VA PER ACTUAL HOUR WORKED GROWTH IN 2016

+0.4% **+1.4%**

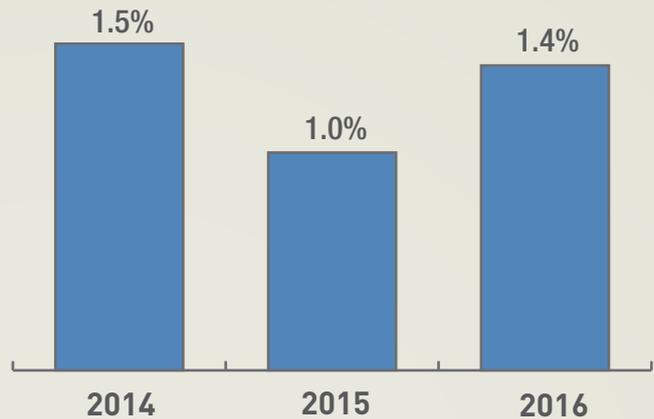


EMPLOYMENT



VA PER ACTUAL HOUR WORKED

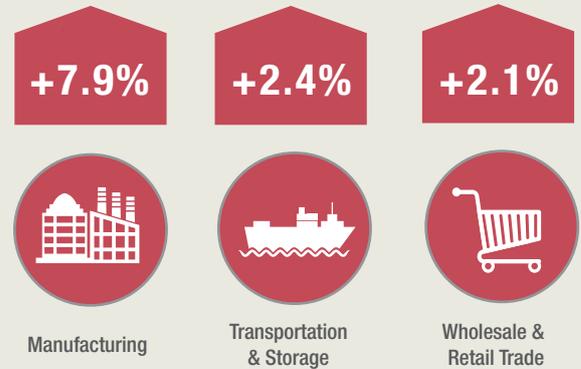
VA PER ACTUAL HOUR WORKED GROWTH



MAIN DRIVERS OF EMPLOYMENT GROWTH IN 2016

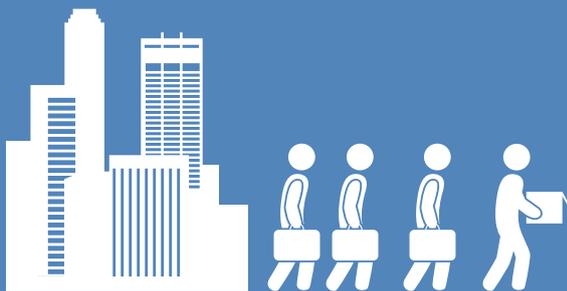


SECTORS WITH THE HIGHEST VA PER ACTUAL HOUR WORKED GROWTH IN 2016



RESIDENT UNEMPLOYMENT RATE REMAINED LOW AT

3.0% in 2016



MEDIAN GROSS MONTHLY INCOME GROWTH



OVERVIEW

Total employment growth moderated to 16,400 in 2016, from 32,300 in 2015, amidst sluggish economic growth and the continued moderation in foreign manpower growth. In addition, the unemployment rates for both residents and citizens increased.

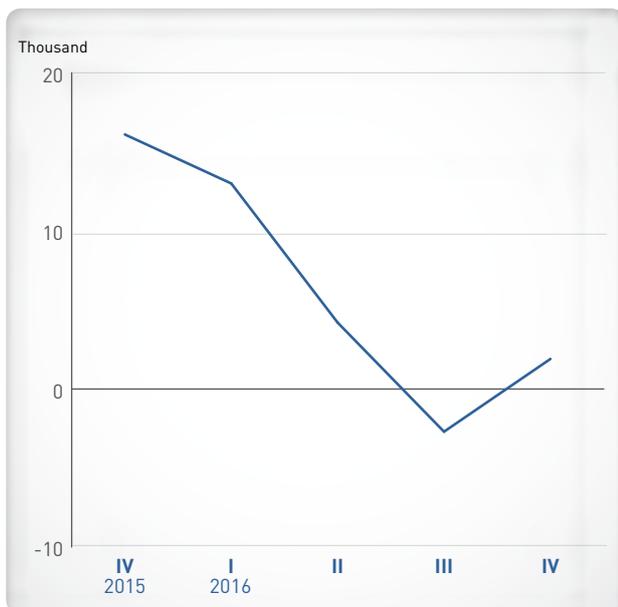
Labour productivity, as measured by value-added per actual hour worked, grew by 1.4 per cent in 2016, higher than the 1.0 per cent growth in 2015. Real gross median income rose by 3.3 per cent in 2016, slower than the growth of 5.3 per cent in 2015.

EMPLOYMENT¹

Total employment grew in the fourth quarter (1,900), a reversal from the decline in the third quarter (-2,700), supported by hiring for year-end festivities. However, the employment gain was lower than that seen in the fourth quarter of 2015 (16,100) (Exhibit 2.1).

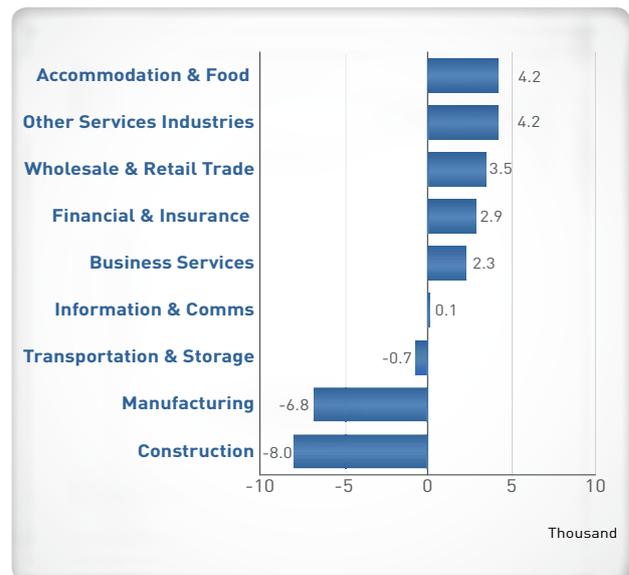
At the sectoral level, manufacturing employment declined for the ninth consecutive quarter (-6,800) (Exhibit 2.2). In particular, employment in the marine & offshore engineering segment continued to be weighed down by sluggish demand for oil rigs and oilfield equipment amidst low oil prices. Employment in the construction sector fell for the second consecutive quarter (-8,000), in part due to continued weakness in private sector construction works.

Exhibit 2.1: Changes in Total Employment



Nonetheless, these declines were offset by employment gains in the services industries (16,700) in the fourth quarter. Sectors such as the accommodation & food industry registered stronger employment growth in the quarter (4,200), reflecting hiring for year-end festivities.

Exhibit 2.2: Changes in Employment by Industry in 4Q 2016



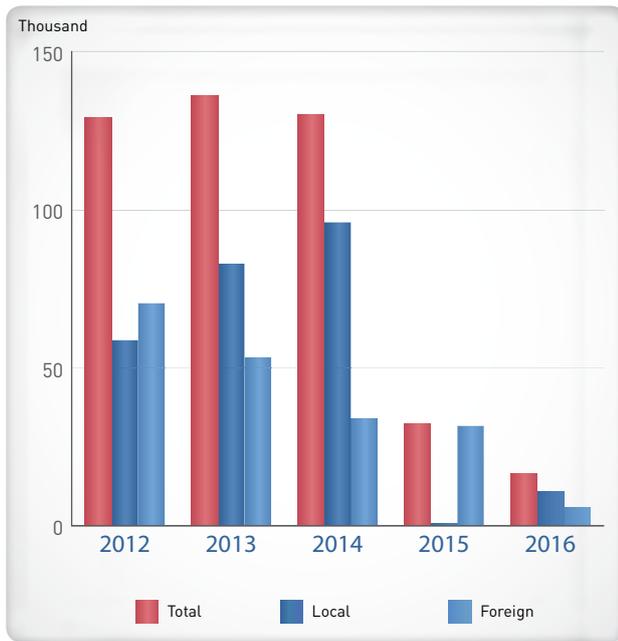
For the whole of 2016, total employment increased by an estimated 16,400, lower than the growth of 32,300 in 2015. Growth was also the slowest since 2003 (-12,900), and came on the back of sluggish economic growth and the continued moderation in foreign manpower growth.

The slower growth in total employment was due to a slowdown in foreign employment growth (Exhibit 2.3). Local employment grew by an estimated 10,700 in 2016, higher than the 700 increase in 2015. On the other hand, foreign employment growth moderated from 31,600 in 2015 to 5,700 in 2016 (Exhibit 2.3). Excluding foreign domestic workers, foreign employment fell in 2016 (-2,500), the first time since 2009.

As at December 2016, there were 3,672,600 employed persons in Singapore, with 2,279,700 locals and 1,393,000 foreigners.

¹ Figures for the fourth quarter of 2016 are based on preliminary estimates.

Exhibit 2.3: Changes in Employment by Residential Status

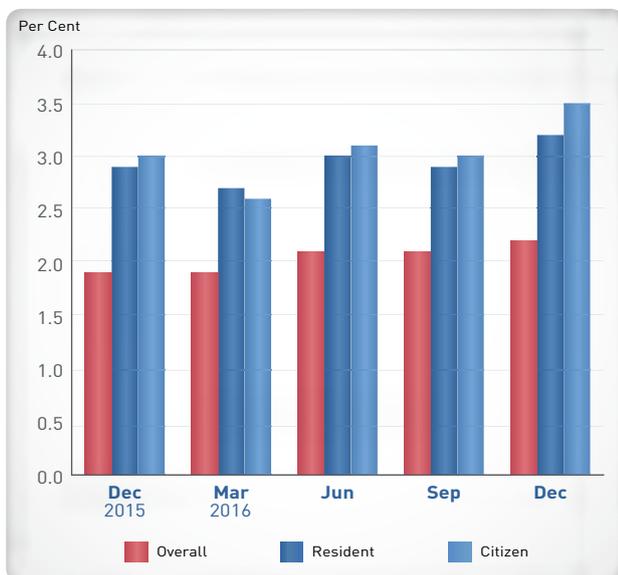


UNEMPLOYMENT

The seasonally-adjusted overall unemployment rate rose from 2.1 per cent in September 2016 to 2.2 per cent in December 2016 (Exhibit 2.4). Over the same period, both the resident and citizen unemployment rates increased (2.9 per cent to 3.2 per cent, and 3.0 per cent to 3.5 per cent respectively). This occurred as the number of people entering the labour force to look for work exceeded the growth in employment.

In December 2016, there were 74,000 unemployed residents, of whom 67,400 were Singapore citizens. These were higher than the number of unemployed residents (66,600) and citizens (58,500) in September 2016.

Exhibit 2.4: Unemployment Rates (Seasonally-Adjusted)



For the full year, the annual average overall unemployment rate rose from 1.9 per cent in 2015 to 2.1 per cent in 2016. Similarly, the unemployment rate for residents and citizens increased from 2.8 per cent to 3.0 per cent and 2.9 per cent to 3.1 per cent respectively. The increase was broad-based across most age and education groups.

In 2016, 67,400 residents were unemployed on average, of whom 59,200 were Singapore citizens. The corresponding figures in 2015 were slightly lower, at 62,500 and 55,700 respectively.

PRODUCTIVITY

Value-Added per Actual Hour Worked

Overall labour productivity, as measured by value-added per actual hour worked, increased by 1.4 per cent in 2016, an improvement from the 1.0 per cent growth in the previous year (Exhibit 2.5). Productivity of the manufacturing, transportation & storage, wholesale & retail trade, finance & insurance and information & communications sectors rose, while that for the other sectors declined (Exhibit 2.6).

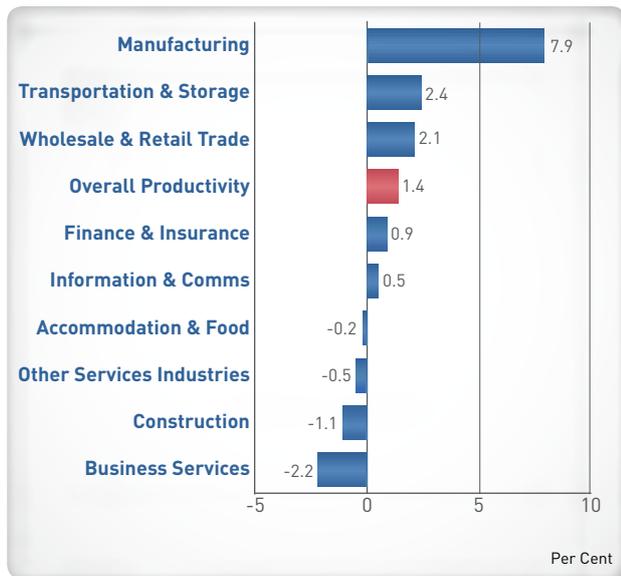
Productivity growth of outward-oriented sectors as a whole continued to outperform that of domestically-oriented sectors in 2016. Specifically, the productivity of outward-oriented sectors rose by 3.0 per cent, while that of domestically-oriented sectors fell by 1.4 per cent.²

Exhibit 2.5: Changes in Value-Added per Actual Hour Worked for the Overall Economy



² Based on MTI estimates. Outward-oriented sectors refer to manufacturing, wholesale trade, transportation & storage, accommodation, information & communications, finance & insurance, and professional services. Domestically-oriented sectors refer to construction, retail trade, food & beverage services, other business services, and other services industries.

Exhibit 2.6: Changes in Value-Added per Actual Hour Worked by Industry in 2016



Value-Added per Worker

Value-added per worker grew by 2.4 per cent in the fourth quarter. For 2016 as a whole, value-added per worker grew by 1.0 per cent, reversing the decline of 0.2 per cent in 2015.

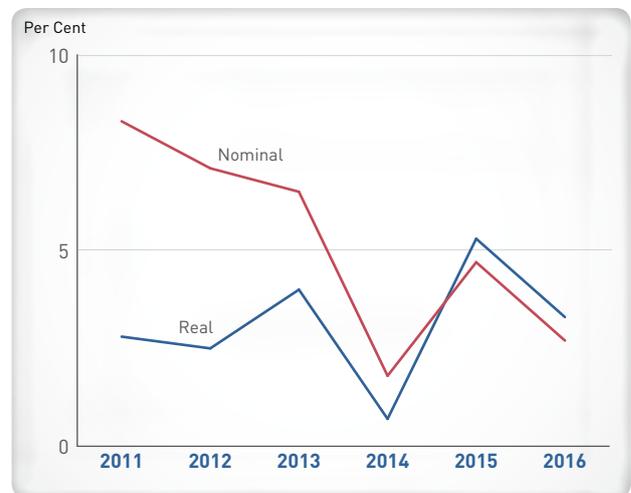
The stronger growth in value-added per actual hour worked compared to value-added per worker was due to a fall in the number of actual hours worked per worker.³

INCOME FROM WORK

Real and nominal median gross monthly income grew at a slower pace in 2016. The nominal median gross monthly income (including employer CPF contributions) of full-time employed residents rose by 2.7 per cent to \$4,056 in 2016, compared to the increase of 4.7 per cent in 2015.

After adjusting for negative inflation⁴, real median income grew by 3.3 per cent in 2016, slower than the growth of 5.3 per cent in 2015 (Exhibit 2.7).

Exhibit 2.7: Change in Median Gross Monthly Income from Work of Full-Time Employed Residents



³ Based on MTI estimates.

⁴ The Consumer Price Index (CPI) for all items fell by 0.5 per cent in 2016.