

Challenging 2H ahead for the labour market

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Highlights:

Covid-19 has indeed exacted a punishing toll on S'pore's labour market: total employment excluding FDW fell by a record 129.1k in 1H20, while retrenchments surged to 11.35k, and also contributed to the unprecedented high number of employees (another 81,72k in 2Q20, compared to just 4.19k in 1Q20) placed on short work-week or temporary layoff! The job losses were actually quite equally balanced between foreign employment (51.4% of total) which slightly outweighed local employment (48.6% of total), whereas the bulk of the 42.19k workers placed on short work-week in 1H20 were mostly locals and the majority of the 43.72k employees on temporary layoffs in 1H20 were mostly foreigners. Average weekly total paid hours of work fell 1.0 hour to 43.4 hours in June, but may improve over time as more workplaces re-open and more workers return to full-time employment as economic activity normalises. Given the tepid economic and labour market conditions, labour turnover was very tepid with the recruitment and resignation rates falling to unprecedented lows of 1.1% and 1.2.

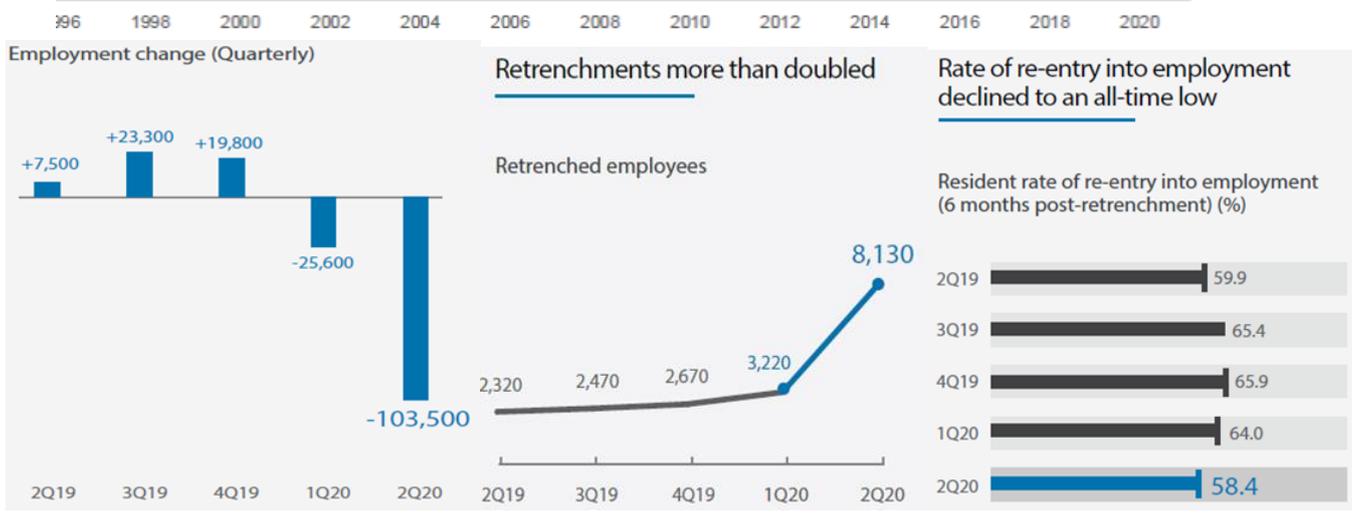
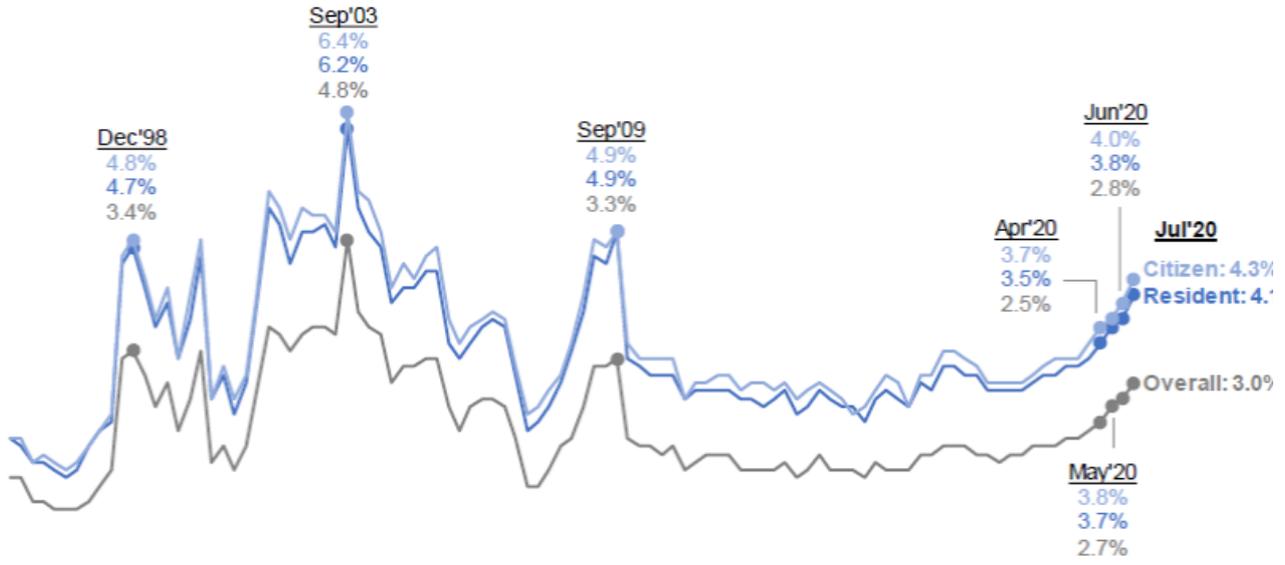
Labour market conditions are likely to remain challenging into 4Q20: From the demand side, there were fewer job vacancies at 42.4k in June 2020 (-8.4% from a quarter ago), consequently pushing the seasonally adjusted ratio of job vacancies to unemployed persons to 0.57 in June 2020, albeit this is above the past recession lows. Recent Business Expectations Survey, PMIs and Manpower surveys point to persistent caution over the general economic outlook and also hiring intentions, even though 2Q20 job vacancies rose in Financial Services, Wholesale Trade, F&B Services, Administrative & Support Services and Public Administration and Education, and there are some bright spots in the Electronics and Precision Engineering, Biomedical manufacturing, InfoComms and Finance & Insurance sectors. MOM also noted that unemployment rates on a monthly basis continued to increase from June in July 2020. Our house view is for the headline unemployment to rise further to 3.5% in 2H20.

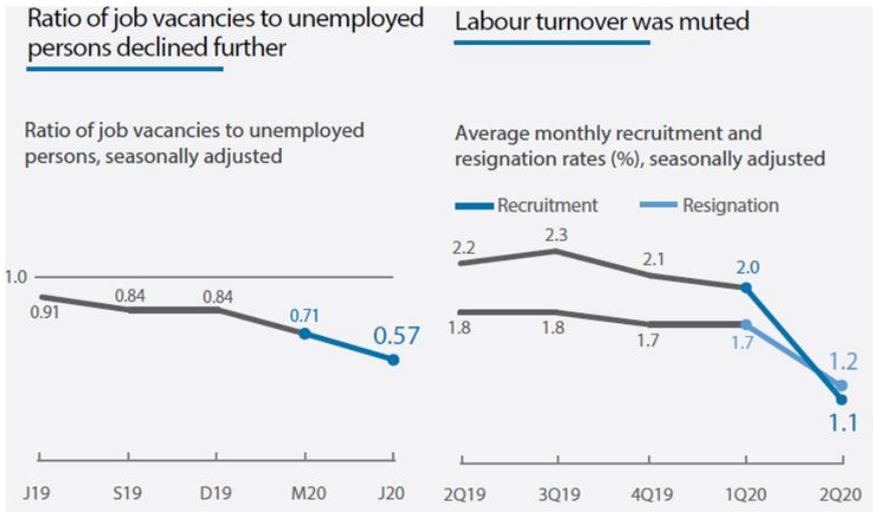
While proactive policies to support the labour market through substantial salary support for employers have helped, including the Jobs Support Scheme and its recent extension by another 7 months as well as the Jobs Growth Initiative (that targets fresh hiring of local works, especially for mature workers), the fiscal support is likely finite due to the heavy financial cost. In the near-term the bulk of the heavy lifting still falls squarely on the government's shoulders with the ~50k government-funded opportunities or jobs by public sector agencies. Recently, there have been a few company announcements of layoffs, which reflects that some companies are starting to bite the bullet and recognise that the new normal for certain industries like aviation and hospitality will take months if not

years to recover. Hence, the number of workers on short work week or temp layoff may fall in coming months/quarters, but that's likely to be due to a combination of other sectors returning to more normalised levels of activity combined with some companies taking the tough decision to layoff rather than keep workers in cold storage for a much longer period. With the six-month re-entry rate among retrenched residents hitting an all-time low of 58.4% in 2Q20, the focus ahead may be more on training and transiting workers to fill the 34.5k long-term job offerings by private sectors employers, to avoid any structural unemployment problems down the road.

The latest Jobs Situation Report (JSR) also released today highlighted the Precision Engineering Industry that employs more than a fifth of the 473k workers in the manufacturing sector and contributed ~\$38b in total output in 2019. So far the 5 JSR editions have featured different sectors, but it does highlight that there are still industry segments still hiring during this challenging period so it's not all doom and gloom for the domestic labour market. Moreover, 24,000 jobseekers were placed into the JSR between March – July 2020, so this probably mitigated the fallout in the labour market and helped to keep the unemployment rate lower than otherwise would have been the case. That said, short-term jobs (13.8k) still outweigh long-term jobs (9.8k), and the skew is still towards non-PMET jobs for both short-term (62% of total) and long-term (53% of total) jobs. Moreover, the placement ratio to opportunities committed still looks relatively low at this juncture, ranging from 9% (start-ups) to 17% (tourism), but this should improve with time with greater awareness.

Seasonally adjusted unemployment rate:





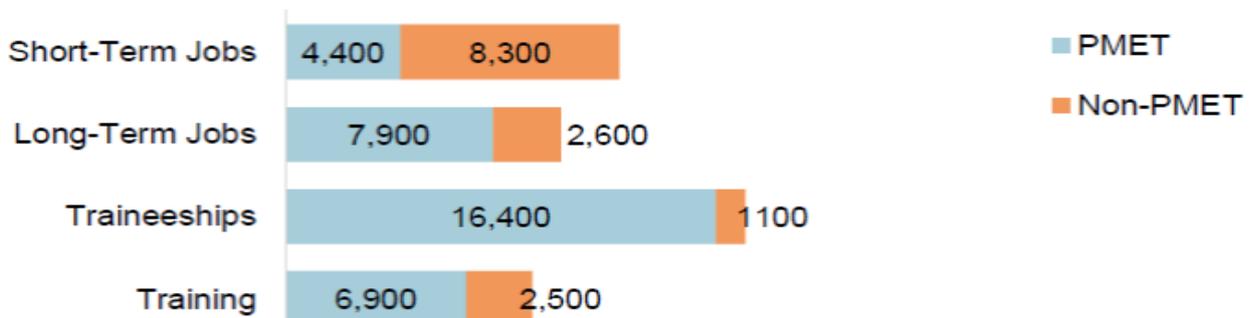
Employment (000)

Category	Change from Mar 2020
Electronics Manufacturing	1.0
Insurance services	0.1
Information & Communications	-0.7
Financial services	-0.8
Health & Social Services	-1.4
Real Estate Services	-2.7
Professional Services	-3.8
Transportation & Storage	-4.3
Accommodation	-4.5
Public Administration & Education	-4.5
Administrative & Support Services	-7.6
Arts, Entertainment & Recreation	-7.6
Wholesale Trade	-7.9
Retail Trade	-8.0
Manufacturing (excl. Electronics)	-9.9
Construction	-13.6
Food & Beverage Services	-22.9

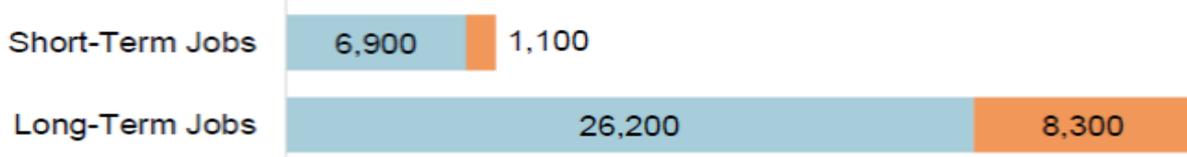
Note: Excludes Foreign Domestic Workers.

Jobs, Traineeships and Training Opportunities Committed (as at end-July 2020)

About 50,000 government-funded opportunities or jobs by public sector agencies

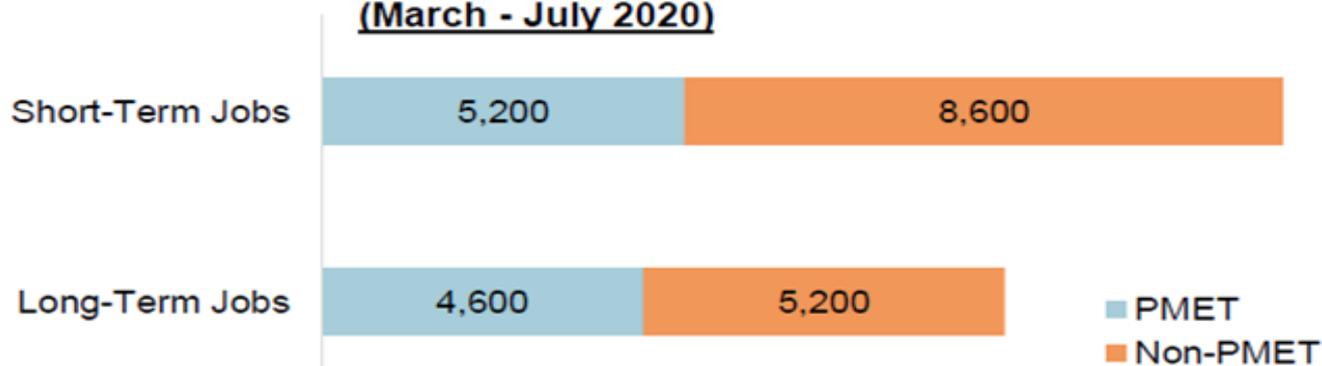


About 42,000 jobs by private sector employers



*Does not sum up to 92,000 due to rounding

Placements into SGUnited Jobs & Skills Opportunities (March - July 2020)



JSR Edition	Date of Report	Sector	Opportunities Committed	Placements into Opportunities ¹
2 nd Edition	20 Aug 2020	Start-ups	5,500	480
3 rd Edition	26 Aug 2020	Manufacturing	6,300	790
		Biomedical Science	400	-
4 th Edition	7 Sep 2020	Tourism	2,400	900
5 th Edition	14 Sep 2020	Precision Engineering	1,500	260

Source: MOM

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