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It's an employer's market

The job market is expected to be hit hard as the economic recession deepens further. But the situation is not just all doom and gloom. AARON LOW and JEREMY AU YONG look at...5 key trends in the job market this year

BUSINESS graduate Noor Lilana, 23, is no longer looking for a management trainee position and a quick rise to the top rungs of the hospitality sector.

Instead, she is now prepared to accept a \$1,000-a-month job working at the reception desk of a small hotel.

She had been looking for a job in the hotel industry since graduating from the National University of Singapore (NUS) in June last year.

In December, after being turned down repeatedly by hotels, she enrolled in a course for a certificate in hotel services. She did so in the hope that when she finishes the course next month, she will be able to get a job in the hotel industry.

"Right now, it is okay for me to start at the bottom and earn \$1,500, \$1,000 even. Some grads may disagree but in the long run, I am sure this move will pay off as I move up the ladder," she says.

Such is the harsh reality for job seekers in the current recession period, which has turned the job market from one where there was an abundance of jobs to one where the pool of jobs is quickly drying up.

The global nature of the downturn and the severity of the economic crisis have meant that most sectors of the economy are being hit.

Few will be spared, with both skilled and unskilled workers feeling the heat, observes NUS economics professor Shandre Thangavelu.

But a slowdown does not mean a halt in business activity.

There will certainly be businesses that fold. But for those that continue to operate, they still need to hire people to run the business.

What will happen, say human resource experts, is that many employers will become more circumspect about whom they hire and how much they pay.

This, coupled with the fact that more workers are flooding the market as a result of retrenchments and the annual injection of graduates into the workforce, means the job market will become an "employer's market", says Mr Philippe Capsie, country manager of human resource consultancy Manpower Singapore.

“An employer’s market gives companies the upper hand in remuneration negotiations, and most companies are unlikely to offer high salaries as they have a bigger candidate pool to choose from,” he says.

Indeed, job seekers, even graduates like Ms Lilana, will have to be more realistic about their job expectations - from salaries to the type of jobs they take up, he adds.

In fact, the starting pay for fresh graduates is expected to dip by as much as 15 per cent, says The GMP Group, another human resources firm.

For instance, a year ago, diploma holders in the information technology field could command monthly salaries of \$1,800 to \$2,000, while degree holders could earn between \$2,500 and \$2,700.

This year, the figure will fall to between \$1,600 and \$1,800 for diploma holders, and between \$2,000 and \$2,300 for degree holders, says GMP senior manager for corporate services Josh Goh.

But employers aiming to exploit the situation do so at their own risk, warns Robert Walters managing director Mark Ellwood.

“Some employers may see that workers have little choice but to accept the conditions they set. But such disadvantaged employees will be the first to leave when the economy turns around,” he says.

“These firms will then have to spend even more money trying to attract talent back in when the economy rebounds.”

5 KEY TRENDS IN THE JOB MARKET THIS YEAR

IT DOES not require crystal ball-gazing to know that this will be a difficult year for jobs and the economy.

Everyone - from politicians to economists and workers - is bracing themselves for a year which could see salary freezes and cuts, fewer jobs created and record levels of retrenchment.

The latest official forecast for the Singapore economy this year is that growth will be between -2 per cent and 1 per cent. This is prompting many analysts to predict that Singapore will experience its worst recession ever.

The outlook is equally bleak on the jobs front.

Retrenchment numbers could hit a high this year, comparable to the 30,000 jobs lost in 1998.

Economists such as Barclays' Leong Wai Ho and Nanyang Technological University's economics professor Choy Keen Meng say unemployment rates could reach 5 per cent.

On the supply side, job creation is also expected to slow down considerably.

A survey of about 200 companies by the Singapore National Employers Federation last month showed that four in 10 employers intend to freeze hiring, while about one in 10 said they would reduce headcount. All these signs point to a year that people will want to get past quickly.

But just how bad will it be? How will the job market shape up? Here are five key trends that are likely to dominate:

FOREIGN WORKERS NOT ALWAYS A BUFFER

FOREIGN workers will absorb some of the impact of job losses this year, but they will not always be the first to go.

Experts said many employers will consider skills and how their bottom lines are affected, and not just think about nationality.

"Employers will want to keep their best staff," said labour economist Hui Weng Tat of the Lee Kuan Yew School of Public Policy.

That's why most economists do not expect a repeat of what happened in the last downturn when there was a sharp contraction in the percentage of foreign workers.

Between 1997 and 2003, when the economy was hit by several crises, Singapore's dependence on foreign labour dropped from 30 per cent to 28 per cent, although it has since recovered.

Part of the reason for the slightly better prospects for foreign workers this time around is that many of the job losses previously came from the foreign worker-dominated construction sector.

This year, projects like the integrated resorts should see the construction sector holding up, said labour economist Shandre Thangavelu of the National University of Singapore.

“As we have such long-term projects, we should still see some foreign workers in the construction industry.”

The foreign workers most at risk will be in the marine and services sectors.

This outlook comes at a time when the plight of some foreign workers is making the news.

While not all foreign workers will be hit, those that are will be badly affected.

At least four groups, comprising a total of 400 workers, approached the authorities last month claiming they had not been paid.

In one case, 200 Chinese workers camped outside the Manpower Ministry building to complain about unpaid wages.

Foreign worker advocacy groups said that the number of cases they are dealing with has jumped sharply. And they expect it to get worse.

Transient Workers Count Too, for instance, reported that it was dealing with up to 50 calls a month, a 30 per cent jump compared to earlier last year.

Mr Jolovan Wham, executive director of foreign worker welfare group Humanitarian Organisation for Migration Economics, said his shelter, which can take in 20 workers, is now full. The organisation is paying for another 30 to be housed separately.

Both groups expect more cases of abandoned foreign workers to surface, and for more workers to resort to desperate measures like converging on the Manpower Ministry building.

At the heart of the problem, they said, is unscrupulous middlemen who charge workers exorbitant fees to get work here.

Said Mr Wham: “These workers are actually happy to go home if they did not owe (the middlemen) so much money.”

He suggested that the Government scrutinise work permit applications more closely, and award them only when they are sure the company has work and no cashflow problems.

Nanyang Technological University economist Tan Khee Giap, in turn, thinks the worsening situation is a good time to root out dodgy agents.

He suggested enacting legislation that would force agents to be more transparent about their fees. At the moment, he said, some workers are forced to hand over their earnings for an entire year to the agents.

“If they lose their jobs, they become very desperate. And even while they are working, they will always be trying to find more work to do or even illegal work,” he added.

“We cannot allow intermediaries to profit at the expense of the welfare of Singaporean companies and the Singapore Government.”

CHANGING TERMS OF EMPLOYMENT

ANOTHER consequence of the softening job market is the move towards contract and temporary employment.

Firms tend to rely on contract and temporary workers in a recession because they are cheaper to hire, without the perks of permanent employment.

Contract workers are also the first to go should businesses get hit.

Such a worrying trend was flagged recently by Mr Lim Boon Heng, Minister in the Prime Minister’s Office, when he highlighted the problems associated with contract staff.

These workers rarely receive social security coverage, such as medical benefits and contributions to Central Provident Fund (CPF) accounts.

The number of contract workers has been rising in recent years. Last year, there were 189,100 such workers here, up from 180,200 in 2007 and 172,000 in 2006, according to Manpower Ministry figures.

And the figure is expected to swell even more this year, say economists and human resource experts.

The National Trades Union Congress is concerned about the welfare of these contract workers, as they often do not get a fair deal when it comes to compensation and working conditions, said Ms Sylvia Choo, deputy director of NTUC’s Unit for Contract and Casual Workers(UCCW).

Most of the contract workers that her unit handles are those who are illiterate and in lower-skilled jobs - such as cleaners and labourers.

Said Ms Choo: “We inform them about their employment rights and urge them to be on the CPF scheme. One solution is for them to get skills to tap on more employment opportunities.”

In this respect, the recently launched \$600 million government-sponsored training programme will help, as the scheme pays out \$4 an hour for unemployed low-skilled workers to get training.

“This will give an incentive for them to upgrade their skills,” said Ms Choo.

But taking on temporary or contract work is not such a terrible thing in a bad recession, said human resource experts.

After all, temporary and contract workers allow companies to continue business at a lower cost, as opposed to winding the business up and employing no one at all.

Robert Walters' managing director for Singapore Mark Ellwood also noted that employing contract workers is one way for companies coping with a cut in wage budgets to continue hiring staff.

"For instance, a firm may get a budget cut but still need workers. To get around the bureaucracy, it hires a contract worker under the consultancy budget," he said.