

## CHAPTER 2

## LABOUR MARKET AND PRODUCTIVITY

## OVERVIEW

The weaker economy in the second half of 2008 dampened employment creation. Total employment grew by 26,900 in the fourth quarter of 2008, less than half the gains of 55,700 in the previous quarter. The total employment creation of 227,200 for the whole of 2008 was lower than the record high of 234,900 in 2007.

The full year unemployment rate rose to 2.3 per cent, up from 2.1 per cent in 2007. Retrenchments for the whole of 2008 stood at around 13,400 workers, significantly higher than the 7,700 in 2007.

Labour productivity fell by 7.8 per cent in 2008, following a decline of 0.8 per cent in 2007. The decline was due to the slowdown in GDP growth and strong employment gains during 2008.

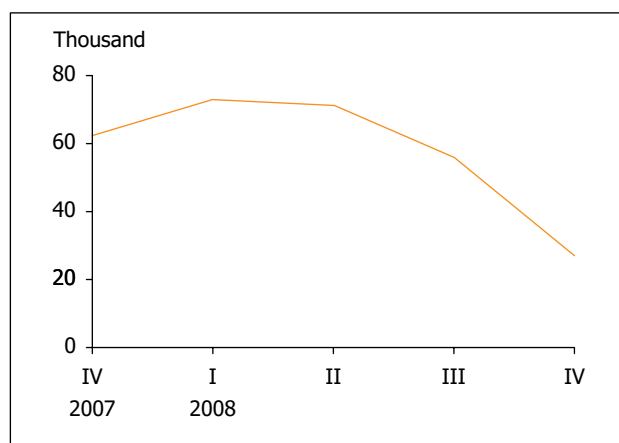
## EMPLOYMENT

Employment growth slowed significantly in the fourth quarter of 2008, as economic conditions worsened. Preliminary estimates show that total employment grew by 26,900, less than half the gains of 55,700 in the third quarter of 2008 ([Exhibit 2.1](#)). For the whole of 2008, total employment increased by 227,200, driven by strong gains earlier in the year. This is slightly lower than the increase of 234,900 in 2007.

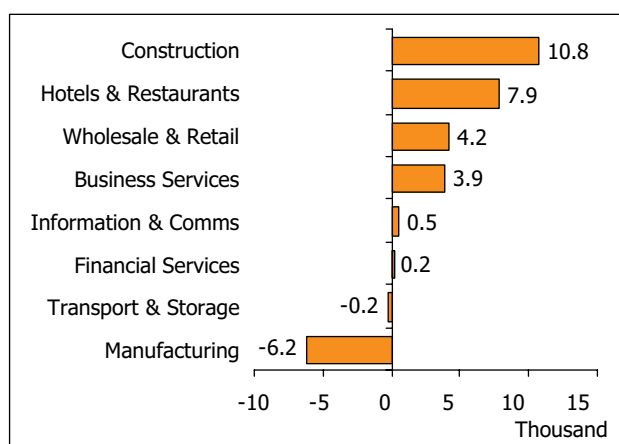
The slowdown was felt across many industries, led by manufacturing where employment fell by 6,200 in the fourth quarter of 2008, its first contraction since the third quarter of 2003 ([Exhibit 2.2](#)). For the whole of 2008, manufacturing employment grew by 20,300, which is less than half the increase of 49,300 in 2007.

Services employment grew by 141,000 in 2008, slightly lower than 143,100 in 2007. Nevertheless, job gains slowed considerably in the fourth quarter (21,900) from a year ago (38,500). Fewer jobs were created in the transport and storage (-200) and financial services (200) sectors. The hotels and restaurants (7,900), wholesale and retail trade (4,200), business services (3,900) and the other services industries (5,400) comprising health, education and personal services employed more workers.

**Exhibit 2.1: Changes in Total Employment**



**Exhibit 2.2: Changes in Employment by Industry in 4Q 2008**



The construction workforce grew strongly by 64,100 in 2008, up from the gains of 40,400 in 2007. However, growth also moderated in the fourth quarter of the year with 10,800 workers added, compared with quarterly gains of 14,500 to 22,400 in the preceding three quarters.

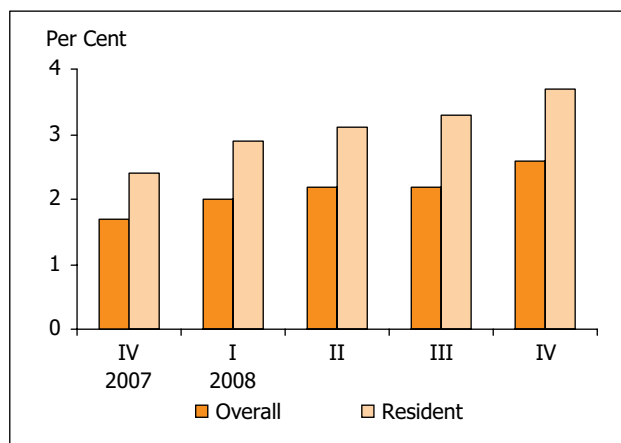
## UNEMPLOYMENT

The seasonally adjusted overall unemployment rate rose to 2.6 per cent in December 2008 from 2.2 per cent in September 2008 and the decade low of 1.7 per cent a year ago ([Exhibit 2.3](#)).

Among the resident labour force, the unemployment rate increased for the fourth consecutive quarter to 3.7 per cent in December 2008, from 3.3 per cent in September 2008 and 2.4 per cent in December 2007. An estimated 69,700 residents were unemployed in December 2008. The seasonally adjusted figure was 73,100, up 12 per cent from September 2008 and 58 per cent from December 2007.

For the whole of 2008, the unemployment rate averaged 2.3 per cent for the overall labour force and 3.2 per cent for the resident labour force, up from 2.1 per cent and 3.0 per cent respectively in 2007. This is the first time that the annual average unemployment rate has increased since 2003, when it peaked at 4.0 per cent for the overall labour force and 5.2 per cent for the resident labour force. On average, 62,900 residents were unemployed in 2008, compared with 56,700 in 2007.

**Exhibit 2.3: Seasonally Adjusted Overall and Resident Unemployment Rate**



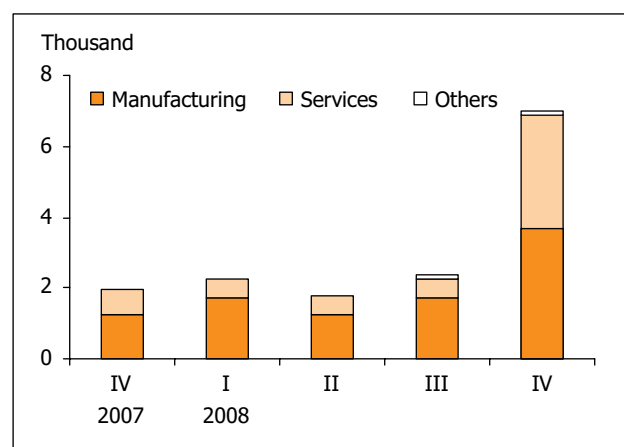
## RETRENCHMENT AND REDUNDANCY<sup>1</sup>

Preliminary estimates show that 7,000 workers were retrenched in the fourth quarter of 2008, up substantially from 2,300 in the preceding quarter and 2,000 in the same quarter a year ago ([Exhibit 2.4](#)). The number of workers retrenched in the manufacturing sector more than doubled from 1,700 in the previous quarter to 3,700. Driven by layoffs in the financial services and wholesale trade sectors, retrenchments in the services industries increased more than four fold from 600 in the third quarter of 2008 to 3,200.

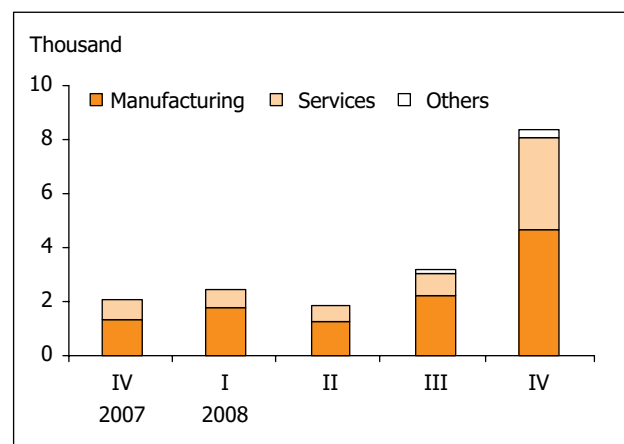
For the whole of 2008, 13,400 workers were retrenched, substantially higher than the 7,700 in 2007. Manufacturing formed the bulk of retrenchments (8,300), concentrated on the electronics segment (4,100). The services industries retrenched 4,900 workers, mainly from the wholesale trade (1,200) and financial (1,200) sectors.

Besides retrenchment, some 1,500 workers were released prematurely from their contracts in the fourth quarter of 2008. Consequently, total redundancies (i.e., workers retrenched or released prematurely from their contracts) rose significantly to 8,500, more than double the 3,200 in the preceding quarter ([Exhibit 2.5](#)). For the whole of 2008, 16,000 workers were made redundant, significantly higher than the 8,600 in 2007.

**Exhibit 2.4: Retrenchment**



**Exhibit 2.5: Total Redundancies**



<sup>1</sup> Prior to 2006, data pertain to private sector establishments each with at least 25 employees. From 2006 onwards, data also include the public sector.

## PRODUCTIVITY

Overall labour productivity fell by 12 per cent in the fourth quarter of 2008, sharper than the drop of 9.0 per cent in the preceding quarter ([Exhibit 2.6](#)).

All industries saw a decline in labour productivity ([Exhibit 2.7](#)). The financial services (-15 per cent) and manufacturing (-15 per cent) sectors suffered the steepest declines in the fourth quarter of 2008.

Labour productivity also declined for the hotels and restaurants (-10 per cent), transport and storage (-10 per cent), wholesale and retail trade (-9.5 per cent), business services (-6.3 per cent), construction (-3.0 per cent), and information and communications (-1.9 per cent) sectors.

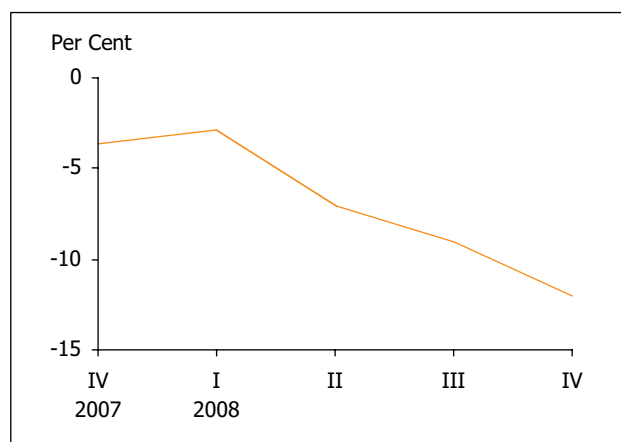
In 2008, overall labour productivity fell by 7.8 per cent, following the decline of 0.8 per cent in 2007. This was due to slower GDP growth and in part the strong employment gains seen in the first half of 2008.

Similarly, growth of overall hourly labour productivity fell sharply by 8.2 per cent, down from the 1.0 per cent contraction in the previous year.

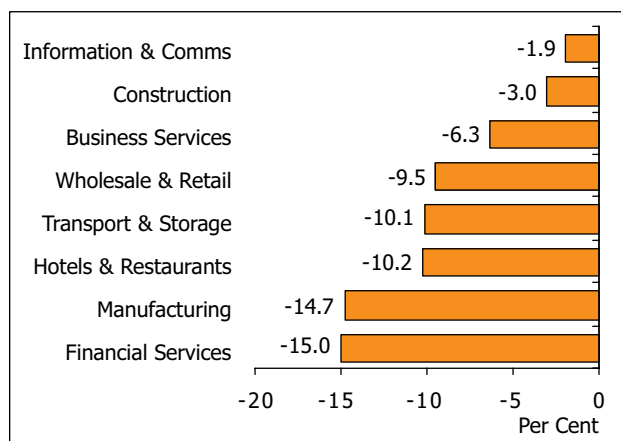
Nominal average monthly earnings rose by 2.4 per cent in the fourth quarter of 2008, slower than the 5.5 per cent increase in the preceding quarter. In real terms, average monthly earnings rose by 3.9 per cent, compared to the 5.1 per cent rise in the preceding quarter ([Exhibit 2.8](#)).

For the whole year, nominal average monthly earnings grew by 5.4 per cent, down from 6.2 per cent in 2007. In real terms, average earnings rose by 4.3 per cent, compared to 0.6 per cent in 2007<sup>2</sup>.

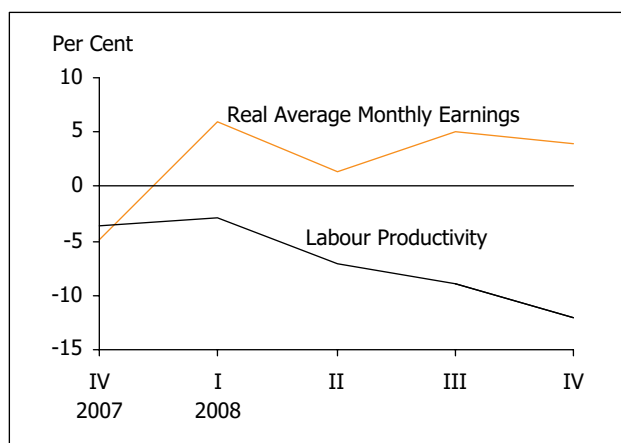
**Exhibit 2.6: Changes in Labour Productivity**



**Exhibit 2.7: Changes in Labour Productivity by Industry in 4Q 2008**



**Exhibit 2.8: Changes in Real Average Monthly Earnings and Labour Productivity**



<sup>2</sup> The GDP deflator measures the price level of the economy's output. Where purchasing power is concerned, it is preferable to deflate nominal wages by the Consumer Price Index, which rose by 6.5 per cent in 2008.