

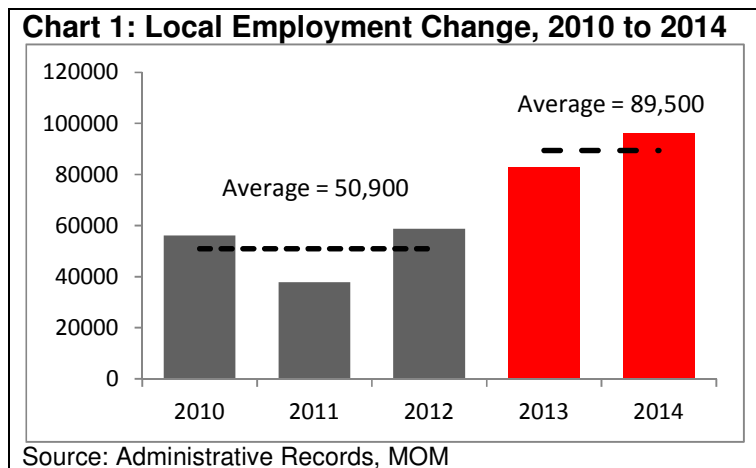
Examining the Expected Slowdown in Local Employment Growth

Introduction

1. This article examines Singapore's strong local¹ employment growth in recent years, arising from changes in the working-age population and in the labour force participation rate (LFPR), and the slowdown in local employment growth in the coming years.

Strong Local Employment Growth in 2013 and 2014

2. Local employment growth rose sharply in 2013 and 2014, by 82,900 and 96,000 respectively. This is almost twice that of the average of 50,900 per annum in the years 2010 to 2012 (Chart 1).



3. The strong employment growth in 2013-2014 could be attributed to:
- Demographic effect**: There was a continued increase in the local working-age population as more locals reached the working-ages² than those retiring, albeit at a slowing pace. There was a net increase in the local working-age population aged 20 to 64 of approximately 15,000 per annum in 2013 and 2014, compared to 27,000 per annum in the years 2010 to 2012³; and
 - LFPR effect**: There was also significantly higher participation of locals in the labour force. The total LFPR for residents aged 20 to 64 rose to a new high of 80.2% in 2014, up from 78.4% in 2009. This came as more locals, particularly older residents and females, were encouraged to participate in

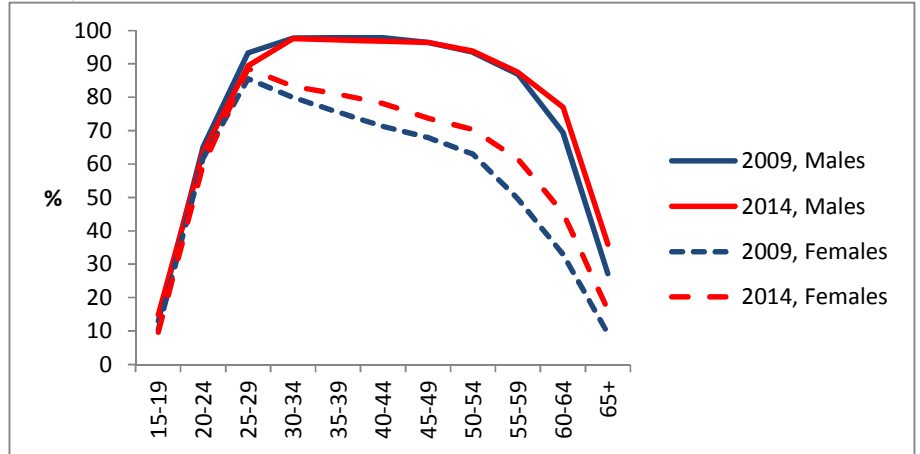
¹ Local refers to the resident population which comprises Singapore Citizens and Permanent Residents.

² Working-ages in this article refers to age 20 to 64, which covers the large majority of economically active residents.

³ Source: DOS. Figures on change in working-age population refers to June-to-June.

the labour force (Chart 2). This reflects strong demand from employers in the tight labour market, the improving educational profile of the population, and facilitative policies such as Workfare, re-employment legislation, and support for flexible work arrangements.

Chart 2: Age-Sex Specific Resident Labour Force Participation Rate, 2009 and 2014



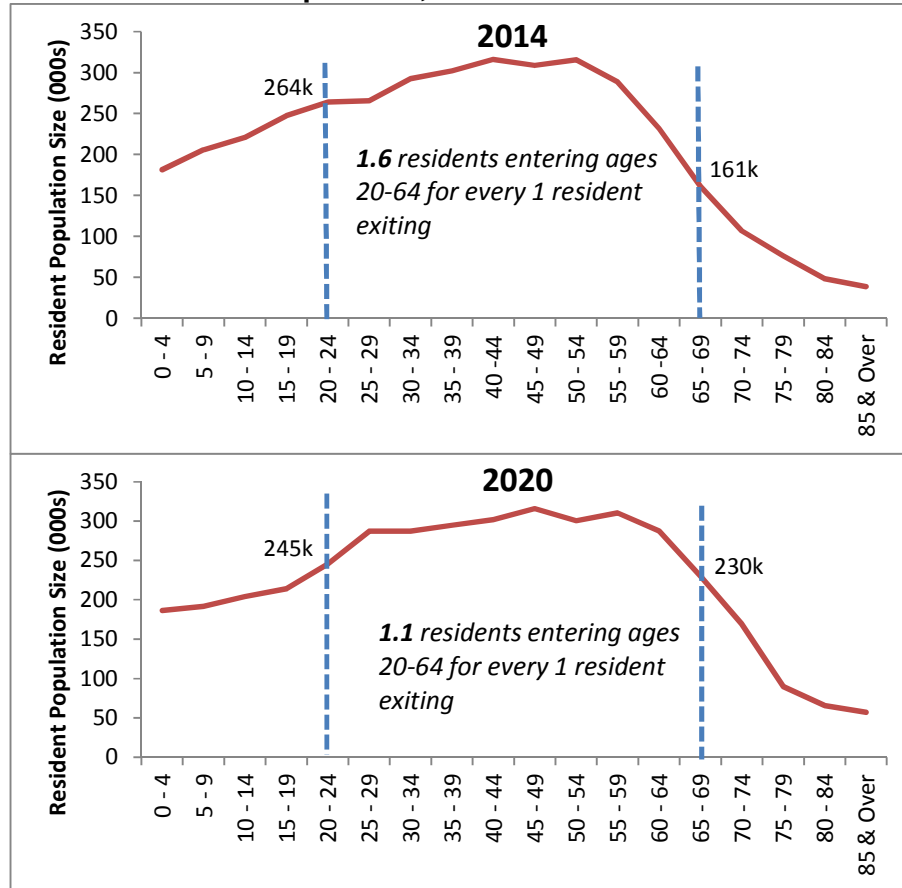
Source: Comprehensive Labour Force Survey, MOM

Projected Local Employment Growth from 2016 – 2020

4. However, going forward, strong local employment growth is not expected to be sustained.
5. First, the **demographic effect** will fade as the growth in the local working-age population starts to stagnate. The net entry of younger locals in the working ages will fall, and successive cohorts which enter the workforce will shrink in number. At the other end, there will be an increasing number of individuals from the “baby boomer”⁴ cohorts who will exit the working-age population. In 2020, for every 1 local exiting working-age, 1.1 locals are expected to enter, down from 1.6 in 2014 (Chart 3).

⁴ “Baby boomers” are defined as the cohort born between 1947 and 1964.

Chart 3: Resident Population, 2014 and 2020



Source: Department of Statistics

Note: Projections assume TFR of 1.20 and current immigration.

6. Second, further improvement in **LFPR** is likely to be muted. At 80.2%, Singapore's LFPR for residents aged 20-64 in 2014 is already higher than that of the OECD average and that of many economies, including the United States (76.3%), the United Kingdom (80.0%), Japan (79.8%), and South Korea (72.5%). The gender-specific LFPR of resident males aged 20-64 in 2014 (89.2%) is one of the highest in the world, and the LFPR for females (71.7%) is catching up with that in developed economies (Chart 4a-b and Table 1a-c).

Chart 4a: Age-Specific Labour Force Participation Rate (Males)

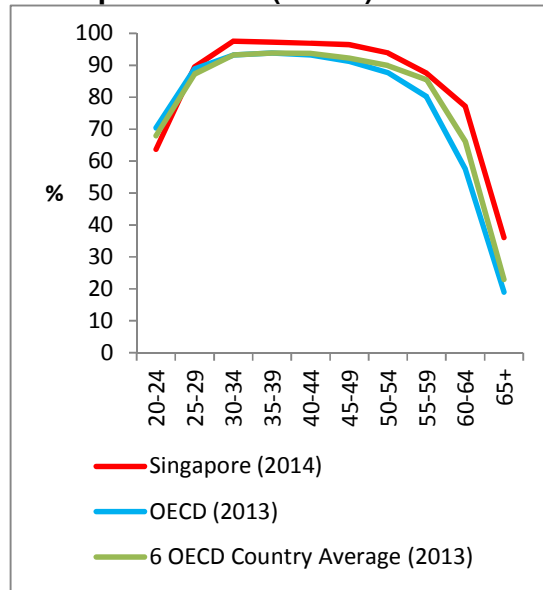
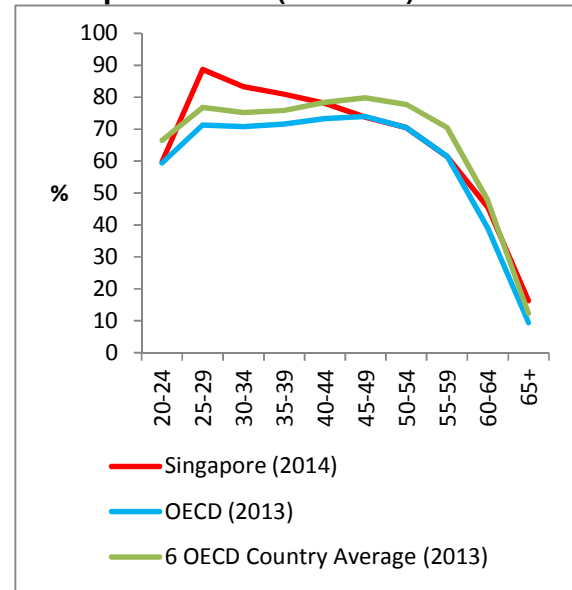


Chart 4b : Age-Specific Labour Force Participation Rate (Females)



Sources: Comprehensive Labour Force Survey, MOM; OECD

Note: The six individual OECD countries selected for more specific comparison are the US, UK, Denmark, Sweden, Japan, and South Korea. It should be noted that the gender-age LFPRs of these countries are not static and could change.

7. Singapore’s LPFR for specific groups will continue to improve, with the labour market remaining tight and improvements to the educational and skills profile of the population – especially for older workers and women. However, it is likely that any further LFPR gains would be realised at a slower pace over the next few years, and the pool of potential local entrants into the labour force would be smaller.

8. With an ageing population, more locals will be approaching retirement age, and this will also limit further increases to the overall LFPR. For example, the “baby boomers” are now shifting to the older age groups with significantly lower participation rates than in the prime working ages. As the older age groups make up a larger share of the population, the overall LFPR would decline, even as the participation rates of each specific age group improve.

Conclusion

9. The strong local employment growth over the past two years was due to continued increases in the working-age population, as well as gains in resident LFPR. Moving forward, these effects will be much smaller given the slower growth of the local working-age population, and limits to increasing the overall LFPR as the population ages. The slowdown in local employment growth is expected to be significant, with average growth of 20,000 per annum in the last part of this decade – about one-quarter of the levels in the past two years.

Table 1(a): Age-Specific LFPR (Overall)**(%)**

	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	15+	20-64
Singapore (2014)	12.3	61.8	89.0	89.9	88.8	87.1	84.7	81.8	74.3	61.2	25.2	67.0	80.2
OECD (2013)	27.8	64.8	80.0	81.9	82.6	83.2	82.5	78.9	70.6	47.8	13.5	60.1	75.3
6 OECD Country Average (2013)	31.3	67.3	82.1	84.3	84.9	86.1	86.0	83.8	77.9	56.6	17.0	63.5	79.2
US (2013)	34.5	70.7	80.6	81.9	82.1	82.3	81.2	78.3	72.4	55.0	18.7	63.2	76.3
UK (2013)	45.0	73.3	84.8	86.3	86.0	86.5	86.9	84.7	76.2	48.2	9.8	63.3	80.0
Denmark (2013)	52.3	70.8	80.9	88.4	89.3	90.3	88.6	86.8	82.5	46.8	6.4	62.4	80.9
Sweden (2013)	32.7	72.2	85.5	90.3	93.6	93.4	92.3	89.9	86.0	69.4	14.9	71.5	85.9
Japan (2013)	15.5	69.0	86.5	83.1	83.2	84.8	86.2	85.2	79.5	61.4	20.5	59.3	79.8
South Korea (2013)	7.7	47.6	74.1	75.6	75.1	79.2	80.9	77.6	70.7	58.5	31.4	61.5	72.5
Hong Kong (2013)	11.2	63.4	89.7	87.7	84.1	83.2	81.9	77.2	63.9	39.5	8.0	61.2	75.6

Table 1(b): Age-Specific LFPR (Males)**(%)**

	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	15+	20-64
Singapore (2014)	14.9	63.6	89.4	97.5	97.2	96.8	96.4	93.8	87.5	77.0	36.0	75.9	89.2
OECD (2013)	30.3	70.3	88.8	93.2	93.8	93.2	91.2	87.6	80.1	57.4	18.9	69.2	84.7
6 OECD Country Average (2013)	29.9	67.9	87.2	93.2	93.9	93.7	92.2	89.9	85.5	66.0	22.9	70.6	86.2
US (2013)	34.2	73.9	87.6	90.7	90.9	90.6	87.3	83.9	78.0	60.5	23.5	69.7	82.8
UK (2013)	44.2	77.5	92.1	94.3	93.0	92.6	91.6	88.7	81.4	58.7	13.3	69.5	86.3
Denmark (2013)	50.0	71.9	84.5	92.3	92.3	92.7	90.3	88.4	85.7	53.8	9.7	66.2	83.9
Sweden (2013)	28.9	74.3	88.9	94.1	96.2	95.8	94.5	91.8	89.5	74.1	18.8	74.2	88.8
Japan (2013)	15.2	67.7	93.8	95.6	96.5	96.3	96.2	95.3	92.7	76.0	29.5	70.5	90.4
South Korea (2013)	6.6	42.1	76.3	92.2	94.2	94.1	93.5	91.2	85.5	73.0	42.6	73.2	84.8
Hong Kong (2013)	11.0	62.5	93.8	96.9	96.8	95.9	95.2	91.9	81.3	55.4	13.2	69.1	86.0

Table 1(c): Age-Specific LFPR (Females)**(%)**

	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	15+	20-64
Singapore (2014)	9.6	59.8	88.6	83.3	80.9	78.1	73.7	70.4	61.4	45.5	16.3	58.6	71.7
OECD (2013)	25.1	59.4	71.3	70.7	71.6	73.3	73.9	70.4	61.5	38.9	9.4	51.6	66.2
6 OECD Country Average (2013)	32.8	66.5	76.8	75.1	75.8	78.4	79.8	77.7	70.4	47.6	12.3	56.8	72.3
US (2013)	34.7	67.6	73.6	73.3	73.8	74.2	75.3	73.0	67.2	50.0	14.9	57.2	70.0
UK (2013)	45.9	69.1	77.2	78.1	79.1	80.4	82.3	80.7	71.1	38.4	6.8	57.2	73.7
Denmark (2013)	54.7	69.8	77.2	84.4	86.2	87.8	86.9	85.1	79.3	39.9	3.7	58.6	77.8
Sweden (2013)	36.8	69.9	81.9	86.3	90.8	91.0	90.1	88.0	82.4	64.7	11.1	68.7	82.9
Japan (2013)	15.9	70.3	79.0	70.1	69.6	73.1	76.1	75.1	66.5	47.4	13.8	48.8	69.0
South Korea (2013)	8.7	52.2	71.8	58.4	55.5	63.9	68.0	64.0	56.0	45.0	23.4	50.2	60.1
Hong Kong (2013)	11.5	64.2	86.6	81.5	75.4	74.3	71.3	63.8	47.0	23.9	3.3	54.5	67.1

Sources: Comprehensive Labour Force Survey, MOM; OECD; National Statistical Offices