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Firms hit by tightened foreign worker inflows

Construction sector is still worst hit, with 70% of contractors seriously affected: survey

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(SINGAPORE) Businesses are feeling the severe pinch of tightened foreign worker inflows, a recent survey shows, even as there are renewed pleas for a review of policy changes aimed at reducing Singapore's reliance on foreign manpower.

Some 45 per cent of the 251 companies polled recently by the Singapore Chinese Chamber of Commerce and Industry reported 'serious' or 'very serious' business repercussions from shrunken foreign labour supply.

Woes arising from foreign labour shortages stood out as the issue weighing companies down amid a wider economic slowdown, said SCCCI secretary-general Lim Sah Soon. He thinks it no surprise that more than half of those polled now hope for a review of the foreign worker policy at the upcoming Budget 2012.

One suggestion is for targeted tightening - to allow more foreign hiring in sectors which have found it impossible to hire locals for crucial jobs despite offering higher salaries. Others seek subsidised training for foreign workers, or low-cost job-matching portals to help them find 'suitable and affordable local workers', SCCCI said.

Such appeals are not confined to SCCCI's members. Preliminary results from the Singapore Business Federation (SBF) survey of members' expectations for this year's Budget yielded similar findings. Some 40 per cent of those polled seek employment assistance and human resource issues.

'Manpower issues, coupled with recent changes in foreign worker policies and labour laws, rank high on the list of business concerns,' said SBF chief executive Ho Meng Kit. 'In sectors like construction, hospitality and manufacturing, companies still face difficulty hiring locals. It does not help that foreign labour is becoming less accessible and affordable.'

According to the SCCCI survey, the construction sector is still worst hit, with 70 per cent of contractors seriously affected.

And demand for workers in this sector, at least, is unlikely to ease despite the slowing economy. For its public housing building programme alone, Singapore will need about 30,000 construction workers this year, up from 18,000 last year. Cumulative demand could rise to 45,000 in the next few years, National Development Minister Khaw Boon Wan said in response to MP Arthur Fong in Parliament. An employer in the construction sector is allowed to hire seven work permit holders for every full-time local employee.

Manufacturing too, has been badly hit by the lower quotas and higher levies too, if the 67 per cent of firms indicating so in SCCCI's survey is anything to go by.

Even for the electronics sector, whose production has shrunk in recent months, Ronnie Wong, president of the Association of Electronic Industries in Singapore (AEIS) says that member companies involved in electronics manufacturing, precision machining, parts and components assembly estimate a 10-30 per cent drop in business due to the reduction in foreign workers.

Of the services firms polled by SCCCI, a smaller 36 per cent saw a significant negative impact on business from the foreign worker policy revisions. But Mr Lim points out the ones that are crucial to the tourism sector, such as hospitality and F&B players, are by nature labour intensive and have been affected, with consequences for service standards too.

Alan Goh of Katrina Holdings, which owns several Clarke Quay restaurants and the BALIthai chain, says it is hard to quantify the impact on revenue but costs have risen by 20-25 per cent due to higher foreign worker levies. Several of his chefs, who lack the qualifications that more stringent criteria for pass renewals now demand, have left Singapore, landing him in the sub-optimal situation of relying on six-month trainees with no continuity.

Mr Goh thinks more in-depth research needs to be devoted to study the manpower needs of each sector before such policies are effected. 'There is this widespread misconception that the services sector is unwilling to pay locals more, but the truth is that locals shun these jobs for other reasons,' he says.

The SCCCI survey indicates that other than low pay and long work hours, local workers also tend to leave or shun SMEs for better job prospects in larger companies.

All this seems to indicate that the manpower crunch has not eased despite a weakening economy. In fact, one reason for Singapore's projected slower growth of 1-3 per cent this year is the tightened inflow of foreign workers, Prime Minister Lee Hsien Loong said in his New Year's Message.

'Admitting fewer foreign workers also means forgoing business opportunities and accepting slower growth,' he said, adding that this is why 'we must do our utmost to raise productivity, to make up in quality what we will miss in quantity'.

Companies affected by restricted access to foreign labour are not sitting on their hands and whining about it though, SCCCI's Mr Lim says. Coping mechanisms include more automation of processes, engaging sub-contractors or hiring older workers and ex-convicts.

Some business owners have also taken pay cuts and taken on more operational roles themselves, he says.

But there is a limit to what can be done before companies 'squeeze blood from their workers'. Businesses can adapt with computerisation and factory automation, but operators are still needed and local ones can be elusive, says Yeo Cheong Guan, managing-director of Eng Bee Paper Merchant, who attributes a 15-20 per cent fall in business to the policy revisions.

Citigroup economist Kit Wei Zheng finds it interesting that so many firms still face worker shortages, given that the economy, excluding biomedical manufacturing, has contracted for three quarters now.

But this lingering labour market tightness could be good news in that it suggests a 'significant buffer before the economy as a whole sheds jobs', he says.

'At the end of the day, the margins of firms could be squeezed and some may have to relocate out of Singapore. Worker shortages may constrain the pace of recovery, when it comes. This will be painful but is the inevitable cost of restructuring,' says Mr Kit.