

Entry-level pay stagnating because of inflation: Experts

Competition from foreigners not the only reason for situation

By JANICE HENG

RISING prices, more so than competition from foreigners, are to blame for starting salaries flatlining in recent years, said economists and human resource experts.

They note that while numbers on payslips have been rising, pay has not kept up with the high inflation in recent years.

Discussion over salaries for those entering the workforce heated up this week after Acting Manpower Minister Tan Chuan-Jin said that entry-level salaries had been stagnant for five years.

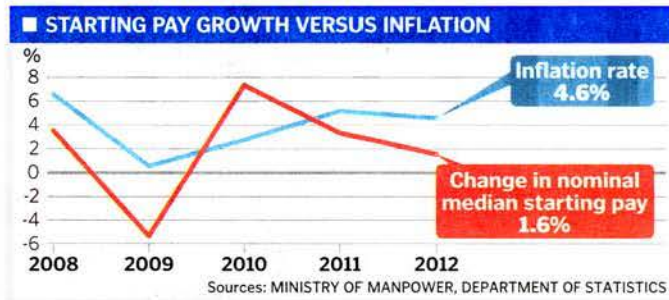
From dollar figures alone, the problem is not immediately obvious. In 2007, the median monthly gross starting pay for a local university graduate was \$2,750, meaning that half of them earned at least that. Last year, it was \$3,050, up almost 11 per cent.

Yet cumulative inflation over the same period was 21 per cent – meaning that in real terms, starting pay actually fell 10 per cent.

Mr Tan had said he hoped to combat the starting-pay trend by tightening the criteria for Employment Pass (EP) holders, skilled foreigners who might compete with local graduates.

Raising the minimum salary for EP holders, especially the lowest Q1 tier, is on the cards. The Q1 qualifying pay is now \$3,000, on a par with last year's \$3,050 median starting pay for graduates.

But experts interviewed said that competition from foreigners is far from the only reason for



Degree	Median gross starting pay		% change
	2008	2012	
Highest growth in starting pay			
Bachelor of Arts (Industrial Design)	\$2,500	\$2,950	▲ 18
Bachelor of Dental Surgery	\$3,400	\$4,005	▲ 18
Bachelor of Accountancy	\$2,400	\$2,800	▲ 17
Lowest growth in starting pay			
Bachelor of Computing (Computer Engineering)	\$3,100	\$3,200	▲ 3.2
Bachelor of Arts (Economics)	\$2,940	\$3,000	▲ 2
Bachelor of Engineering (Maritime Studies)	\$3,021	\$3,000	▼ -0.7

* Excluding law and medical graduates.
 NOTE: Data on law and medical graduates is not reflected in MOM statistics as many are still doing practical law courses or serving housemanship.
 Source: MINISTRY OF MANPOWER
 ST GRAPHICS

stagnating starting pay. Slow real wage growth is an issue not just for graduate pay, but across the economy, said Barclays economist Joey Chew.

The problem was not that nominal pay – pay in dollar figures – was failing to rise, but that inflation was too high, she added.

The last five years also saw a global economic crisis. “2007 was really the pre-crisis peak and... things are clearly not back to that heyday,” said OCBC economist Selena Ling.

Inflation aside, HR experts point to the increasing supply of

graduates as another factor. “Now that they are in greater supply than before, graduates have less power to negotiate salaries,” said eFinancialCareers managing director for Asia-Pacific George McFerran.

And salary trends vary by industry, reflecting factors like business opportunities, skills mismatch, and productivity, added Ms Chew.

Given all these other factors, can EP tightening measures really boost starting pay? Experts say it is still likely to help, even if it is not the complete answer.

“By increasing the minimum salary of a Q1 holder, graduates may gain some bargaining power,” said Kelly Services Singapore vice-president and country general manager Mark Hall.

“This is because employers will no longer be able to fill a role suitable for a university graduate with an experienced foreign worker for the equivalent cost.”

But even if that move is not a cure-all for stagnating starting pay, there are more reasons to be optimistic.

“Now that inflation is coming down, and the labour market remains tight, we should see real wage growth catching up,” said Ms Chew.

One entrant to the job market, Mr Mohamed Rizwan Nasir Madakia, 25, said while he hoped EP restrictions would help him get a job, outsourcing meant the market is still competitive.

Said the final-year information systems management student from the Singapore Management University: “In the bank IT industry, some foreign banks have outsourced their IT operations to India and are not hiring here at all.”

Mr Jeffrey Neo, 25, who graduates with an environmental engineering degree from Nanyang Technological University next month, said that though he has had to revise his pay expectations down from \$3,300 to “above \$2,500”, the money was not the biggest draw. “As fresh graduates, companies take a risk by having us anyway.”

He added that he does not feel the competition from foreigners during his job hunt but expects to see the impact when he starts working. “There is no urgency for employers to promote you and give you a higher pay, because they can get more experienced foreigners to do it.”

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