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Headline: Labour costs could soar by up to 20% in some sectors

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Labour costs could soar by up to 20% in some sectors

Firms will feel pain of higher foreign worker levies and tight labour market

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THE double whammy of higher foreign worker levies and a manpower crunch could send labour costs in some sectors soaring by as much as 20 per cent this year.

The hit will come on July 1 when companies in the services, manufacturing and construction sectors face levy hikes of between $15 and $200 for each foreign worker on staff.

"The tighter labour market and the full force of levy measures are going to make it a pressuring environment for companies," said Mr Kurt Wee, president of the Association of Small and Medium Enterprises.

The pain will be felt particularly in the building game. Monthly levies will increase to a record $950 for each lower-skilled foreign worker hired by construction firms.

OKP Holdings group managing director Or Toh Wat described the increase as "an all-time high", and firms that hire more lower-skilled construction workers will be harder hit. Mr Or expects the company's overall labour costs to go up by 10 to 20 per cent.

Service sector firms like restaurants will continue to face "a tremendous labour crunch", warned DBS economist Irvin Seah.

UniSIM labour economist Randolph Tan singled out manufacturing as a challenging sector. "Manufacturing is in need of a new pillar to replace electronics and has been struggling to find its footing amid a more competitive global environment," he said.

His comments come a week after hard-disk maker HGST Singapore laid off 530 workers.

But the outlook is not entirely bleak.

UOB economist Francis Tan said the Government will continue to provide lifelines: "The main thing is that companies will need to know how to obtain the value from government incentives, in order to bolster their profit margins in the midst of rising costs from the labour market."

The national jobs bank that will start operating from August can also make it cheaper for firms to hire workers, said Singapore Management University economist Hoon Hian Teck, who added: "The reduced cost of recruitment and tighter labour market can mean higher wage earnings."

While firms may struggle, workers can expect wage increases this year, analysts said.

With low unemployment, potential nominal wage growth of around 4 to 5 per cent and inflation expected to stabilise at around 2 to 3 per cent this year, "real wage growth is on the cards for the man in the street and may come as relief to some workers", said OCBC economist Selena Ling.

Labour MP Zainal Sapari welcomed the prospects of higher pay but said the increases will make a difference only if low-wage workers get pay rises as well.

MP Zainudin Nordin wants more attention given to older workers.

"I hope to see the re-employment age extended from 65 to 67 this year," said Mr Zainudin, who chairs the Government Parliamentary Committee for Manpower.

"Otherwise those who had their employment extended will lose their job abruptly when they turn 65 this year.

"We need to discuss it this year, otherwise another year will pass in the blink of an eye."

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