By TEH SHI NING

[SINGAPORE] The rise in job losses in the last quarter of 2011 turned out to be smaller than flash estimates, but the 3,250 redundancies in Q4 remained the highest that the quarterly number has been since second quarter 2009.

Thanks to strong employment growth, the final labour market report released by the Ministry of Manpower yesterday confirmed a 2011 unemployment rate of 2 per cent, Singapore’s lowest in 14 years.

The economy added 37,600 jobs in Q4, up from January’s estimate of 36,300 and more than the 33,900 jobs created in Q4 2010. This yielded a 3.9 per cent rise in total employment for 2011, marginally above jobs growth in 2010.

There were also hints in Q4 of labour demand picking up. Job vacancies rose a seasonally adjusted 13 per cent over the three months – reversing a 13 per cent drop over Q3 – to 51,700 openings in December last year. This was 17 per cent more job openings than were available a year ago. It also meant that there were 1.18 job vacancies for every unemployed person in December, up from 1.15 in September – the highest vacancy ratio since mid-2009.

Citigroup economist Kit Wei Zheng said this “tells us that labour demand may be edging up in tandem with the bottoming out in GDP”. Putting the rise in Q4 layoffs in perspective, Barclays Capital economist Leong Wai Ho said: “There were retrenchments in manufacturing and the financial sector, but the outlook for the industries is improving. There is some cause for concern about productivity growth. But overall, the labour market is improving.”

Strong demand for manpower over the year quickened the expansion of the foreign workforce here. Excluding foreign domestic workers, the number of foreign workers rose 8.8 per cent to make up 32.8 per cent of the workforce by the end of last year, accelerating from the 6.3 per cent gain in 2010.

UniSIM labour economist Randolph Tan thinks this “simply confirms why further quota restrictions” had to be rolled out in this year’s Budget, in addition to ongoing hikes in foreign worker levies Singapore rolled out to curb its reliance on foreign workers.

Mr Kit believes that part of the jump last year could be due to a “temporary relaxation” after the elections to compensate for pre-election tightening. “There was a lot of unfulfilled pent-up demand for labour,” he said.

Labour productivity growth plunged to one per cent last year amid slower GDP growth and strong job creation. Total factor productivity gained 1 per cent in 2011. But such growth is still below the 11 per cent growth in productivity output per worker, as observed over the past two years, for example.

Mr Kit expects productivity growth to fall back in 2012 due to a slowdown in GDP growth and strong job creation. This is one of the reasons he expects unit labour cost growth to slow this year. Mr Tan sees reasons for optimism in the continued decline in Singapore’s unit labour cost for manufacturing relative to 16 other economies, a measure of cost competitiveness.

And while the tight labour market pushed average monthly wages 6 per cent higher last year, a faster gain than 2010’s 5.6 per cent, inflation eroded most of this gain. Real average wages rose 0.7 per cent, down from the 2.7 per cent gain in 2010. In Q4, real average wages fell 1.4 per cent as inflation outstripped gains in average monthly earnings.