



Building workforce resilience

In the transportation
and logistics sector

Introduction

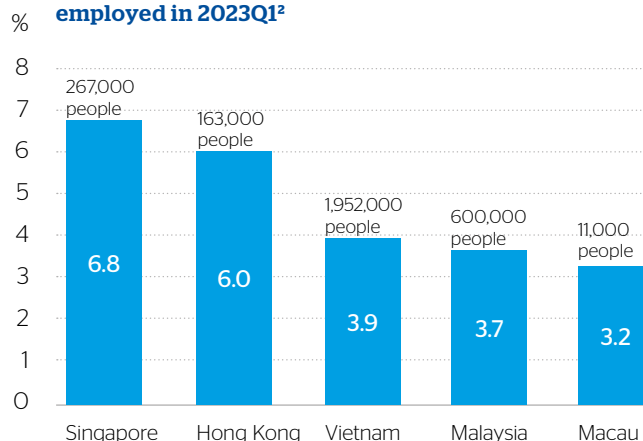
Key Asian markets and their transport and logistics sectors are recovering from disruptions to labour availability caused by the COVID-19 pandemic, but in an uneven manner and pace across different jurisdictions. For companies investing or operating in Hong Kong, Macau, Malaysia, Singapore, and Vietnam, having a clear and objective appraisal of the specific local labour challenges and a consideration of how best to navigate them with practical steps will help in mitigating the impact on their business.

Malaysia and Singapore share commonalities in that there is a clear gap in labour availability for skilled and unskilled positions in the transport and logistics sectors, posing challenges for businesses. Labour costs are also higher in these jurisdictions compared with Vietnam, for instance. Vietnam presents a slightly different proposition where manual labour availability is unlikely to be an issue, but companies have found it difficult to fill technical and management roles. The overall challenges are greater in Hong Kong and Macau, where there is a shortage of both low-end and skilled labours, partly due to rising post-COVID demand. Governments in both cities are trying to recruit more foreign workers to address the shortage and the success is likely to be mixed.

Importance of transport and logistics in total employment

The transport and logistics sector directly employs just under 3 million people in the five economies of interest.¹ Among these countries, the sector accounted for a sizeable proportion of total employment: between 3.2% (Macau) and 6.8% (Singapore (Fig. 1)). These shares have been mostly static, with relatively little movement in a region where both the transport and logistics sector and the broader economy as a whole have been growing strongly.

Fig. 1: Employment in the transport and logistics sector as a share of total employment and numbers employed in 2023Q1²



Source: Oxford Economics



¹ This is an under-estimation because it uses the latest available data, which are for Q1 2023 for Hong Kong, Macau, Malaysia, and Singapore but for Q1 2021 for Vietnam, and we are confident that employment in Vietnam has grown substantially since.

² Except for Vietnam where the data relate to Q1 2021.



The impact of Covid-19 on sectoral employment

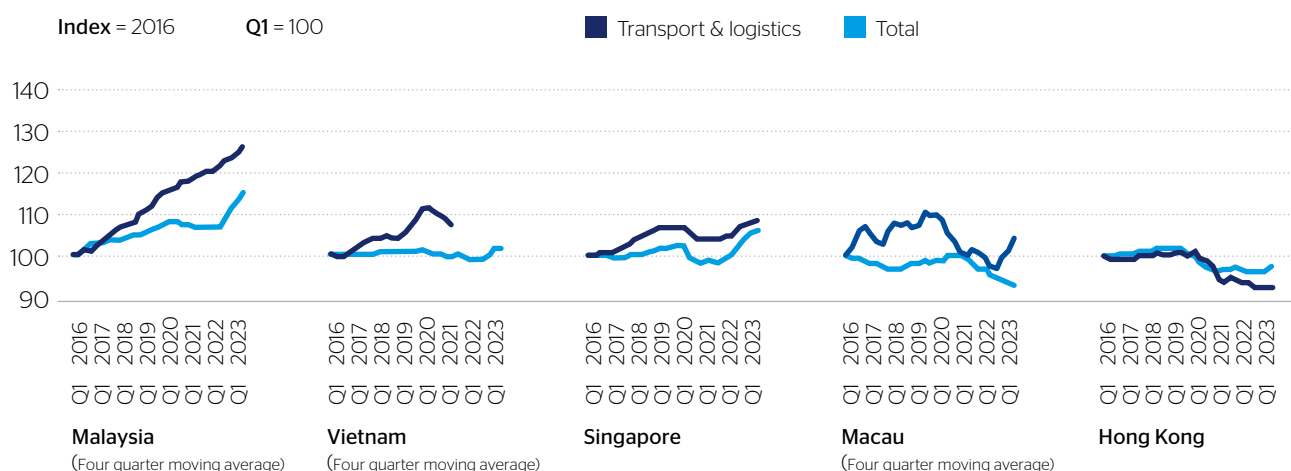
The onset of the Covid-19 pandemic and associated health restrictions had an adverse impact on employment in transport and logistics in Hong Kong, Macau, Singapore, and Vietnam, with peak-to-trough declines in employment ranging from 2.6% of pre-Covid employment in Singapore to 10.9% in Macau (Fig. 2). Only Malaysia among the examined countries saw no declines in transport and logistics employment during the pandemic, which likely stems from the reliance of the sector on the freight segment, transporting inputs and outputs to and from Malaysia's rapidly growing manufacturing sector, which was only temporarily and minimally affected by the pandemic.

The transport and logistics sectors in Malaysia and Singapore both experienced robust recoveries in employment after the pandemic, with levels recovering beyond pre-pandemic peaks by early 2023. This reflects the booming demand for goods across the world which benefitted each country's industrial base and, in the case of Singapore, its status as a global trade hub. Macau and Hong Kong's transport sectors on the other hand suffered substantially from protracted lockdowns and the cessation of regional and international travel, which has only recently begun to be opened up again. Employment levels in these economies have not come close to recovering from the damage done by the pandemic.

Job vacancies and labour shortages

Recovery from the pandemic has coincided with increased difficulties for employers in finding suitable personnel. Vacancies surged with the onset of the pandemic and have, as a general rule, failed to fall back to pre-pandemic levels. In Malaysia for example, where sectoral growth has been most robust in the pandemic era, vacancies in transport, logistics, and communications are, as of Q1 2023, 12.8 times the average 2019 level, whereas vacancies in the whole economy, which have been trending down, are at 2.8 times the 2019 average. In Singapore the vacancy rate is 2.4 times higher than it was before the pandemic, which is greater than the economy-wide ratio of 1.8. In Hong Kong, where the surge in vacancies only emerged in mid-2022, vacancies in transport and logistics sit at 1.9 times the 2019 average, while vacancies in the economy are only 1.2 times greater.

Fig. 2: The growth of employment in transport and logistics and the whole economy in the five countries



Source: Oxford Economics/General Statistics office of Vietnam/Singapore Ministry of Manpower/Malaysian Department of Statistics/Hong Kong Census and Statistics Department/Macau Statistics and Census Service



Transport sector employment growth prospects

In the short run, employment prospects in the transport and logistics sector in the countries of interest appear robust. Sector-specific employment surveys suggest positive and improving sentiment around near-term employment intentions in Malaysia and Singapore (Fig. 3). As well as a positive and improving sentiment in the economy-wide survey for Thailand.

In the longer term we see robust transport sector employment growth potential in the region. We forecast the transport and logistics sector's output will grow in all of the countries of interest (Fig. 4). While there will be some

slowing of growth over the coming decades as the region's GDP per capita increasingly converges to that of the rich world and demographics begin to turn unfavourable, we still expect to see sectoral growth that, for the most part, handily outperforms that in most advanced economies. Some of this growth will be powered by productivity gains and automation. However, much of the work in the sector will not be automatable for some time to come, and even when it is, the process will be slow and gradual in the region due to the relatively lower labour cost in these economies. As such we expect that the overall sector growth will be accompanied by robust increases in demand for staff, as has been the historical track record.

Fig. 3: Near-term employment expectations surveys

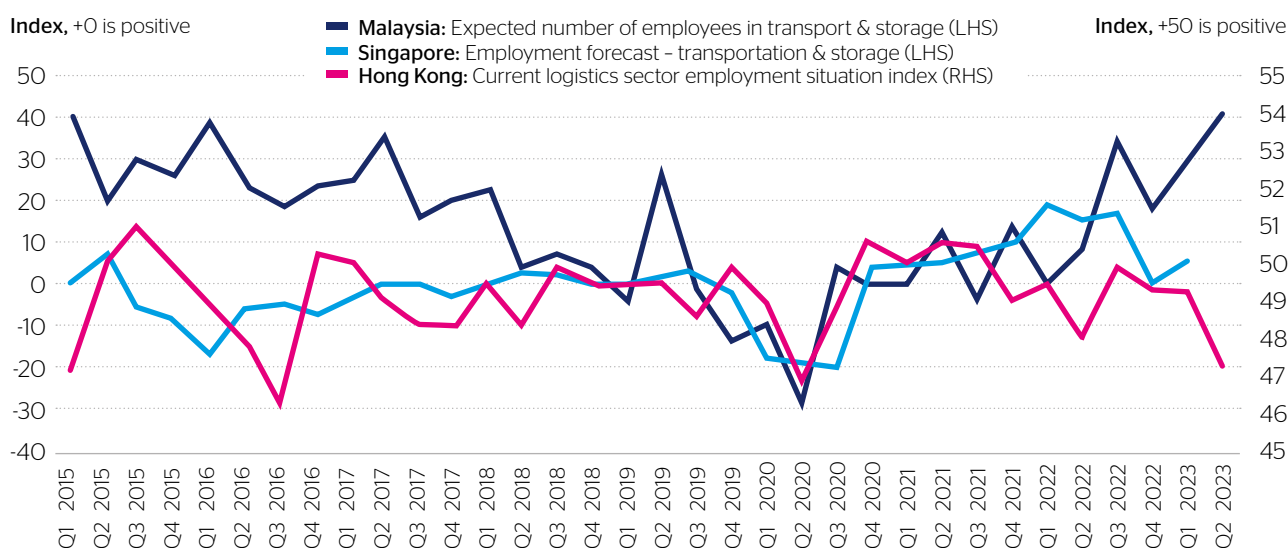


Fig. 4: Forecasts of average annual growth in transport and logistics output over the next 30 years

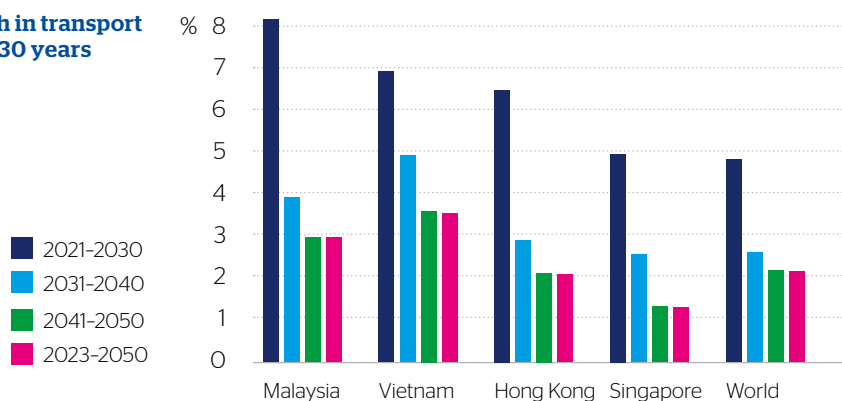


Fig 3 Source: Oxford Economics/Singapore Department of Statistics/Malaysian Department of Statistics/ Hong Kong Census and Statistics Department. Fig 4 Source: Oxford Economics



Key things to watch

For Singapore, labour shortages will continue to be a key issue impacting the transport and logistics sectors. A shortage of workers such as bus drivers will continue to drive up operating costs, with the problem exacerbated by increasing demand for such workers amid the reopening of borders and recovery of the tourism sector. For the logistics sector, there also continues to be a shortage of skilled labour such as those with skills in supply chain management, amid rising demand for logistics services.

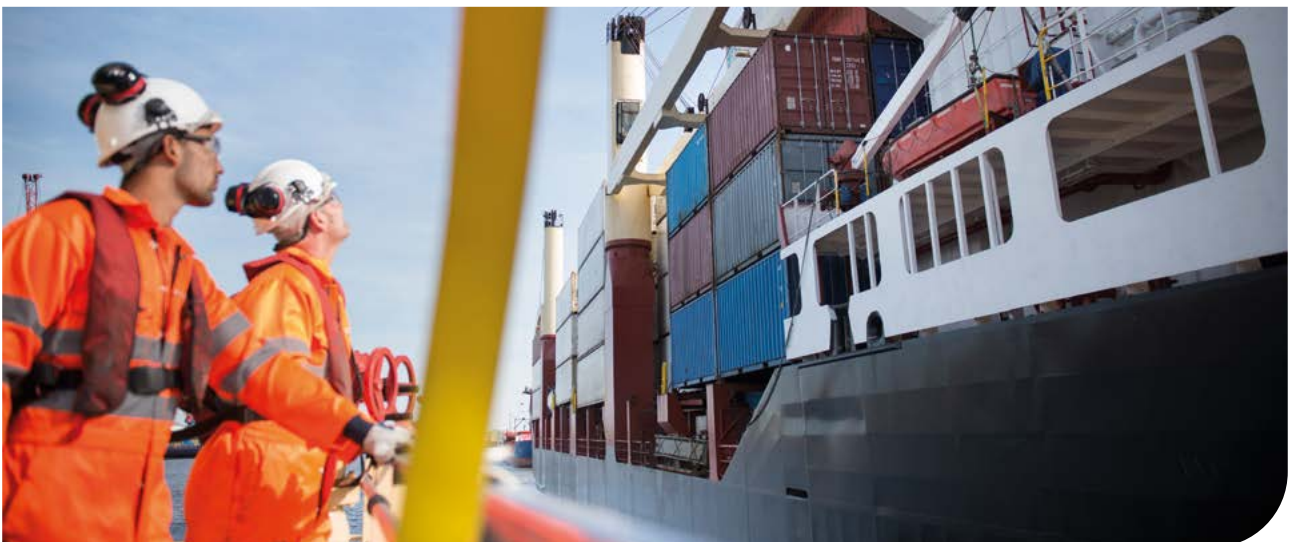
In Hong Kong, an ageing population and the outflow of local young people are exacerbating labour shortages in the transportation and logistics sector, particularly in public transport and civil aviation. The labour shortage comes at a time when Hong Kong is expected to see surging demands of international personnel and cargo travelling through 2023-24. In response to the challenges, the government plans to introduce over 8,000 skilled foreign workers later this year for positions such as bus drivers and airport staff. However, pushback from local labour organisations could limit the government's ability to significantly increase the number of foreign workers in the short term.

The reopening of Macau to international travel and the surging inflow of tourists from mainland China will pose challenges to the city's transportation and logistics sector. Labour shortages are likely more pronounced in tourism-related positions such as tour bus drivers. As Macau seeks to diversify its economy from the gaming industry and strengthen its role as a regional logistics hub, demand for

skilled labour will increase in sectors such as port operations and cross-border transportation. Macau has more established and loose regulations on hiring foreign labour (including from mainland China), which can help alleviate labour shortage pressures in the coming years.

For Malaysia, companies in the transportation and logistics sectors will continue to face acute labour shortages affecting operations. This applies to both skilled and unskilled labour. For example, for water transport, Malaysia faces a dearth of captains and crew to pilot barges, with many of these positions filled by foreigners. The trucking industry also continues to face difficulties in attracting manpower despite drivers being relatively well paid, given gruelling schedules and the danger associated with poor road conditions in rural areas.

Vietnam's abundant and affordable labour pool is undergoing rapid changes that affect the transport and logistics sectors. The outflow of internal migrants from traditional economic centres in the south will increase manual labour availability in northern, central coastal and Mekong Delta provinces. Nevertheless, workers in these sectors possess insufficient technical and management skills, according to 60-80% of firms surveyed. The legalisation of independent labour organisations can increase collective bargaining, though the absence of guidelines facilitating collective bargaining has so far impeded the establishment of these entities.



How to attract and retain workers in periods of labour shortages?

The easiest way to attract and retain talent is by offering them higher compensation and benefits. However, in many cases this may be prohibitively expensive or only part of the solution. Therefore, it is important to understand alternative ways to recruit and motivate workers to stay, even in periods where labour availability is limited.

Employees care about their future career growth. By offering a clear career path if the employee performs, with the associated increases in responsibility and remuneration, companies can attract and retain staff, even if the starting salaries are relatively uncompetitive. This needs to be backed up by clear communication about the necessary training and work experience the staff will have to undertake to progress. This may include gaining a breadth of experience across different departments and taking vocational or more formal training courses. It also requires a commitment to promote from within, when internal candidates have the best skillsets.

With increase in attention on mental health, the provision of health insurance and other benefits that reduce anxiety will help staff welfare. This offer may be cheaper than paying higher wages to compensate, or cost efficient in lowering absences and related staff turnover.

Investment in effective training (be that formal or on-the-job) will boost workers' skill levels and productivity. And by showing a commitment to the staff, it is also likely to increase motivation and retention rates.

For occupations where it is appropriate, companies that provide flexible work setups, such as remote working and flexible scheduling, tend to be more attractive to some workers. After the Covid-19 pandemic, a significant proportion of employees started attributing a high value to remote working, so a hybrid working environment can play a role in attracting and retaining staff. Flexible work schedules (where the individual worker has to undertake a pre-defined number of weekly working hours, but has some choice when they work) can be attractive to some, if it suits the role. Both of these measures are cost-free to most companies.

Lastly, it is of great importance to create a good internal environment. Companies where employees feel listened to by their managers are more likely to retain their workers. The best communication channels are probably informal, as staff interact and work together. But these can also be formalised through regular progress meetings. Staff surveys that are acted upon can also be useful.



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