Impact of labour market indicators on employment claims



Aug 2025

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IMPACT OF LABOUR MARKET INDICATORS ON EMPLOYMENT CLAIMS

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Abbreviations

ACRA	:	Accounting and Corporate Regulatory Authority
DOS	:	Department of Statistics
MOM	:	Ministry of Manpower
TADM	:	Tripartite Alliance for Dispute Management

Highlights

- Employment claims have trended up since 2021, consistent with the observed rise in involuntary separations. This parallel movement suggests a strong interconnection between labour market conditions and employment disputes[1]. This analysis aims to identify the key labour market drivers behind these trends.

- Using a natural log-linear regression model, the analysis revealed strong positive correlations between employment claims and involuntary separations (such as dismissal, business cessation and retrenchment). Key findings show:
  (1) For salary claims: Every 100 additional cases of dismissals, business cessations, or retrenchments corresponded to increases of 2.4%, 1.9%, and 1.8% in salary claims, respectively.
  (2) For dismissal claims: Dismissal claims are likely to increase by 2.4%, 2.1%, and 1.7% for every 100 additional cases of dismissals, business cessations or retrenchments, respectively.

- The analysis also identified weak negative correlations between salary claims and other labour market indicators such as job vacancies, unemployment, and re-entry rates, suggesting that stronger hiring conditions may help contain claim numbers.

- The findings indicate that labour market conditions, particularly involuntary separations, are likely driving the rise in employment claims rather than declining employment standards. These labour market indicators can serve as early warning signals to help anticipate and pre-empt potential wage-related disputes.

[1] Employment claims encompass two main categories:
(1) Salary claims: Claims filed by employees against their employers over salary non-payment.
(2) Dismissal claims: Claims filled by employees where they were dismissed without just or sufficient cause, including dismissals on discriminatory grounds, deprivation of employment benefits or entitlements.

Impact of Labour Market Indicators on Employment Claims

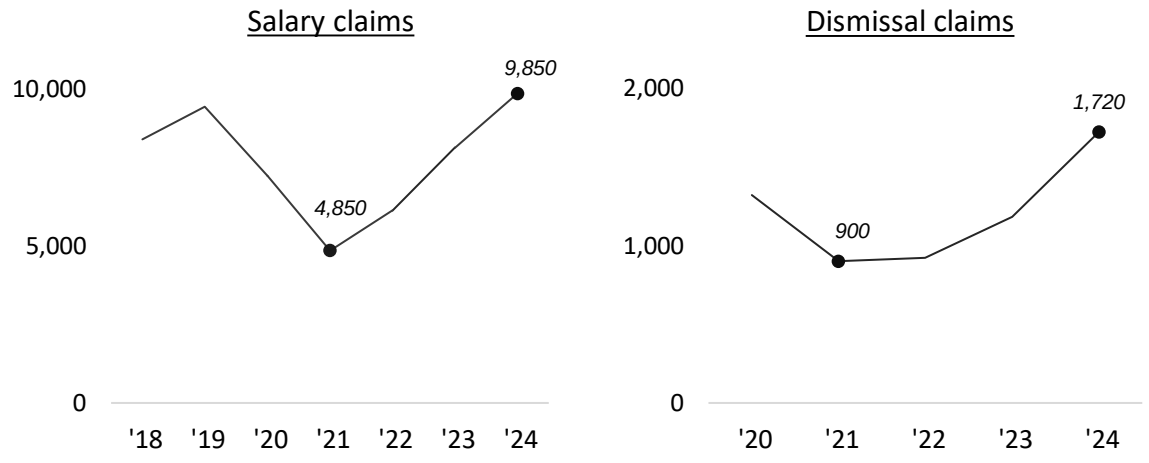
1 Introduction

1.1 This report investigates if labour market trends have an impact on employment claims, focusing on identifying key labour market drivers that could explain the recent increases in employment claims (i.e. salary or dismissal claims) since 2021. Using a log-linear regression model[2], the report analyses the impact of trends in labour market indicators (e.g. dismissals, retrenchments) on employment claims.

2 Background

2.1 Employment claims have trended up since 2021 (Chart 1), for both salary and dismissal claims.

Chart 1: Employment Claims



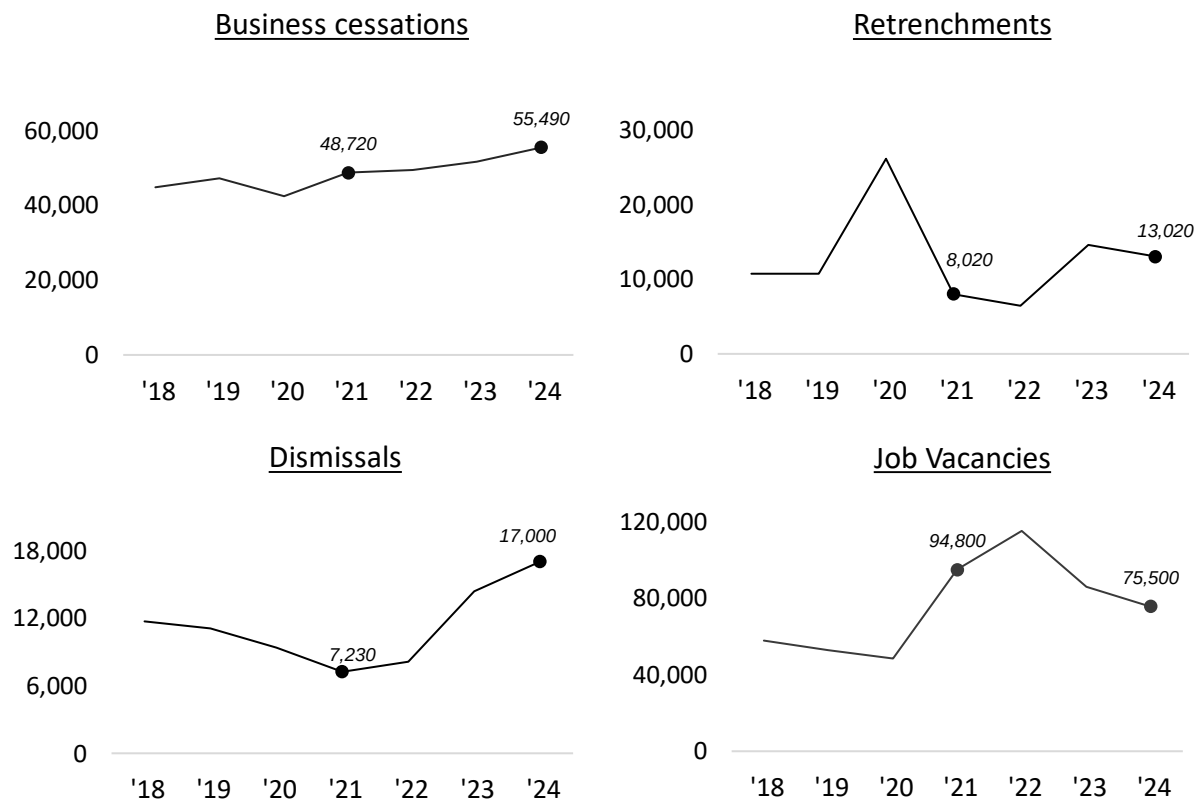
Source: Labour Relations and Workplaces Division, MOM and Tripartite Alliance for Dispute Management (TADM)

2.2 Labour market turnover can provide some insights on why employment claims have increased. Labour market separations such as business cessations, retrenchments and dismissals have also trended up in recent years (Chart 2), consistent with the observed rise

[2] Log-linear regression analyses the relationship between employment claims (dependent variable, logarithmically transformed) and labour market indicators (independent variables), where a one-unit change in a labour market indicator is associated with a percentage change in employment claims. Statistical significance is measured at the 5% level.

in employment claims. This indicates greater labour market turnover or churn, with workers moving between jobs as new positions open even as some jobs end due to business re-organisation or restructuring.

Chart 2: Involuntary Separations and Job Vacancies



Source: ACRA and Labour Market Survey, Manpower Research and Statistics Department, MOM

Note: Data on job vacancies are seasonally adjusted.

3 Key Findings

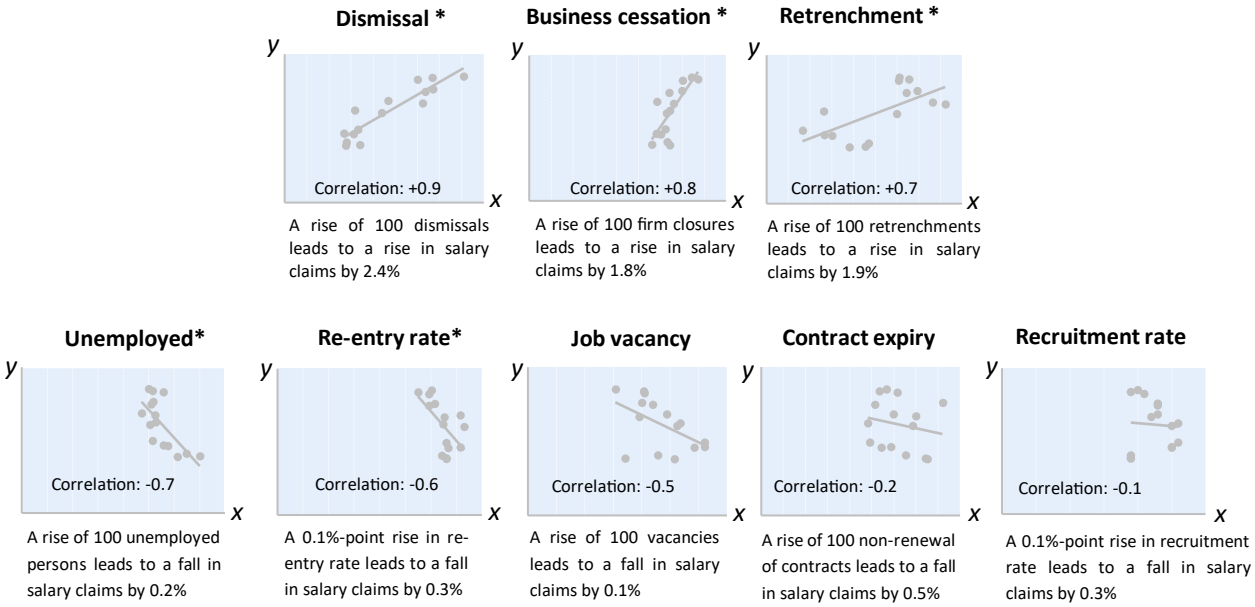
Comparing Salary Claims with Labour Market Indicators

3.1 A natural log-linear regression was carried out to explore the relationship between salary claims and labour market indicators (Chart 3). It revealed that involuntary job separations are closely related to salary claims, with strong positive correlations observed between salary claims and dismissals, business cessations and retrenchments.

3.2 The regression results indicated that each additional 100 involuntary separations, that is, dismissals, business cessations or retrenchments, is associated with increases of 2.4%, 1.9%, and 1.8% in salary claims respectively. The results also showed a weak negative

correlation between salary claims and other indicators such as job vacancies, unemployment, and re-entry into employment post retrenchment. This inverse relationship suggests that stronger hiring or tight labour market conditions may help contain salary claims.

Chart 3: Comparing salary claims (y) and labour market indicators (x) using log-linear regression



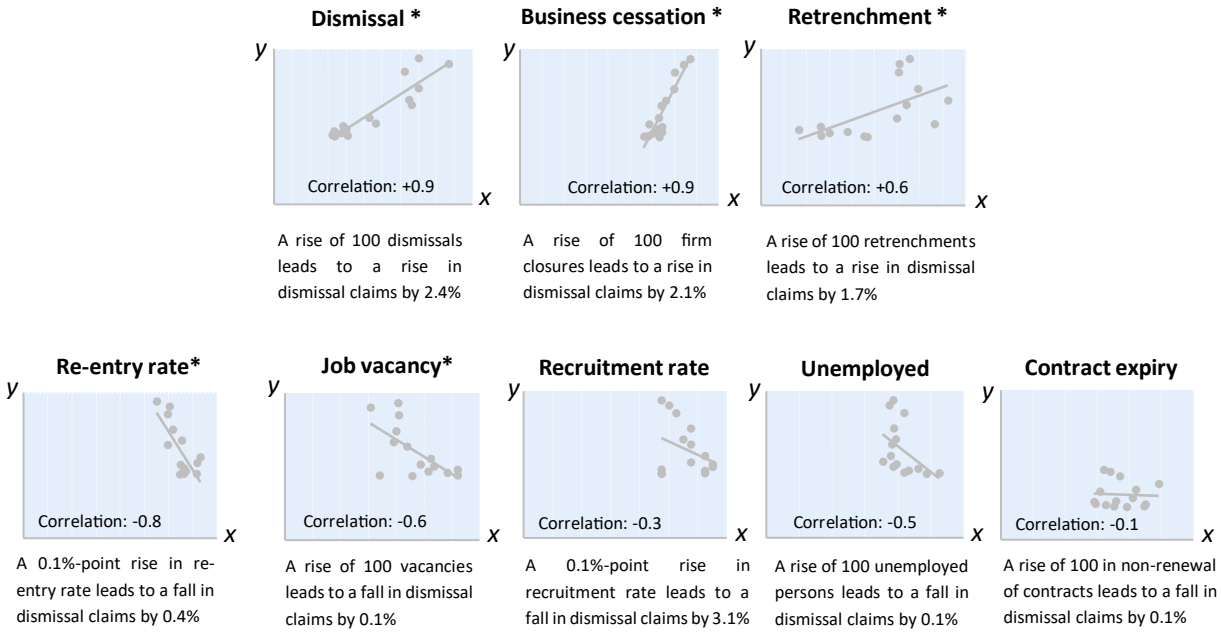
Source:
Labour market indicators (x) - ACRA and Labour Market Survey and Labour Force Survey, Manpower Research and Statistics Department, MOM
Salary claims (y) - Labour Relations and Workplaces Division, MOM and TADM

Notes:
(1) * Indicates statistical significance at the 5% level.
(2) Refer to Annex A for more details of the methodology.
(3) Data on unemployed persons, job vacancies and recruitment rates are seasonally adjusted.

Comparing Dismissal Claims with Labour Market Indicators

3.3 Similarly, the regression demonstrated similar results for dismissal claims, with strong positive relationships observed with involuntary separations (Chart 4). It is observed that dismissal claims are likely to rise by 2.4%, 2.1%, and 1.7% for every 100 additional cases of dismissals, business cessations or retrenchments, respectively.

Chart 4: Comparing dismissal claims (y) and labour market indicators (x) using log-linear regression



Source:
Labour market indicators (x) - ACRA and Labour Market Survey and Labour Force Survey, Manpower Research and Statistics Department, MOM
Dismissal claims (y) - Labour Relations and Workplaces Division, MOM and TADM

Notes:
(1) * Indicates statistical significance at the 5% level.
(2) Refer to Annex A for more details of the methodology.
(3) Data on unemployed persons, job vacancies and recruitment rates are seasonally adjusted.

4 Conclusion

The strong correlation between employment claims and involuntary separations indicates that labour market conditions, rather than declining employment standards, are potential drivers for the rise in employment claims. These indicators can serve as early warning signals to help pre-empt potential wage-related disputes.

Annex A

Methodology

A log-linear regression was carried out for the number of employment claims (y) and each labour market indicator (x) from 2021 to 2024:

$(\ln(y_i) = \beta_0 + \beta_1 x_i + u_i)$

x_i = represents the labour market indicator being analysed (e.g. Dismissal, Business cessation or Retrenchment)

y_i = number of employment claims (i.e. salary or dismissal claims)

u_i = error term with standard assumptions

β_1 = the coefficient of interest, measuring the percentage change in employment claims associated with a one-unit change in the labour market indicator

In the charts, each line represents the estimated relationship between employment claims and the respective labour market indicator. An upward sloping line indicates a positive linear relationship between y and x. Conversely, a downward sloping line shows a negative linear relationship between y and x. A one-unit change in x is associated with a (100 x β_1)% change in y.

Regression Results

Table A1: Results of log-linear regression for salary claims (y) and labour market indicators (x)

Labour Market Indicators (x_i)	Coefficient (β_1)	Standard Error (u_i)	P > | t |	R-squared
Dismissal	0.00024*	0.00003	0.00	0.80
Expiry of Contract	-0.00005	0.00006	0.43	0.05
Retrenchment	0.00019*	0.00006	0.01	0.42
Job Vacancy	-0.00001	0.00000	0.08	0.22
Recruitment rate	2.67291	30.00125	0.93	0.00
Re-entry rate	-3.11457*	1.34873	0.04	0.29
Unemployed	-0.00002*	0.00001	0.00	0.57
Business Cessation	0.00018*	0.00005	0.00	0.53

Table A2: Results of log-linear regression for dismissal claims (y) and labour market indicators (x)

Labour Market Indicators (x_i)	Coefficient (β_1)	Standard Error (u_i)	P > | t |	R-squared
Dismissal	0.00024*	0.00003	0.00	0.87
Expiry of Contract	-0.00001	0.00006	0.90	0.00
Retrenchment	0.00017*	0.00006	0.01	0.40
Job Vacancy	-0.00001*	0.00000	0.01	0.40
Recruitment rate	-30.70276	27.04550	0.28	0.09
Re-entry rate	-3.98075*	1.03490	0.00	0.53
Unemployed	-0.00001	0.00001	0.05	0.26
Business Cessation	0.00021*	0.00003	0.00	0.82

Note:
(1) * Indicates statistical significance at the 5% level.

Annex B

Explanatory Notes

Definitions	Source and coverage
Salary claims refer to claims filed by employees against their employers over salary non-payment. ***Dismissal claims*** refer to claims filed by employees where they were dismissed without just or sufficient cause, including dismissals on discriminatory grounds, deprivation of employment benefits or entitlements.	Source Labour Relations and Workplaces Division, MOM and Tripartite Alliance for Dispute Management (TADM)
Business Cessation refers to business entities which have ceased operations, including ceased registration, struck off, amalgamated, cancelled and dissolved.	Source Accounting and Corporate Regulatory Authority Coverage Data pertain to all types of business entities registered with ACRA, including sole proprietorships, partnerships, and companies.
Dismissal refers to contract termination at the initiative of the employer due to reasons such as poor performance but excluding reasons related to redundancy. ***Job vacancy*** refers to the number of unfilled posts which an establishment is actively recruiting employees from outside the establishment. ***Recruitment rate*** refers to the average number of persons recruited in a month during the quarter divided by the average number of employees in the establishment. ***Retrenchment*** refers to termination of employees due to redundancy.	Source Labour Market Survey, Manpower Research & Statistics Department, MOM Coverage Data pertain to private sector establishments each with at least 25 employees and the public sector.

Expiry of contract refers to the lapse of an employment contract upon reaching the end of its stipulated duration. It applies to term contract employees, including those on casual/on-call or fixed-term arrangements.	
Re-entry rate is defined as the proportion of retrenched residents who re-entered employment, six months post-retrenchment.	Source Labour Market Survey, Manpower Research & Statistics Department, MOM and derived based on data from administrative records Coverage Data pertain to private sector establishments each with at least 25 employees and the public sector.
Unemployed persons refer to persons aged 15 years and over who did not work but were actively looking and available for work during the reference period. They include persons who were not working but were taking steps to start their own business or taking up a new job after the reference period.	Source Labour Force Survey, Manpower Research & Statistics Department, MOM Coverage Data pertain to private households in Singapore. It excludes workers living in construction worksites, dormitories and workers' quarters at the workplace and persons commuting from abroad to work in Singapore.

FEEDBACK FORM

Report Title: Impact of labour market indicators on employment claims

1. How would you rate this report in terms of:

	Excellent	Good	Average	Poor
a) Relevance to your work	☐	☐	☐	☐
b) Providing useful insights on prevailing labour market trends/development	☐	☐	☐	☐
c) Ease of understanding	☐	☐	☐	☐

2. Which area(s) of the report do you find most useful? Please provide reasons.

_____

_____

3. How do you find the length of the report?

☐ Too detailed ☐ Just right ☐ Too brief

	Excellent	Good	Average	Poor
4. Overall, how would you rate this report?	☐	☐	☐	☐

5. What additional information (if any) would you like us to include in our future issues?

_____

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6. Any other comments or suggestions you wish to bring to our attention?

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