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Further Measures in Relation to Regulation of Foreign Employment in Singapore – To What End?

Introduction

On 18 February 2022, during the Annual Budget Statement, Minister for Finance, Mr Lawrence Wong, mentioned in Parliament that foreign employment in Singapore will be further regulated. The changes are as follows:

1. For new applications from 1 September 2022 and for renewal applications from 1 September 2023, the minimum qualifying salary for new Employment Pass ("EP") applicants will be raised from the current $4,500.00 to $5,000.00;

2. For the financial services sector, which has higher salary norms, this will be raised from the current $5,000.00 to $5,500.00;

3. The qualifying salaries for older EP applicants, which increase progressively with age, will also be raised in tandem. A check on the Ministry of Manpower website shows that these qualifying salaries will be raised to $10,500.00 for the non-financial services sector in respect of a candidate in his or her mid-40s, and to $11,500.00 in respect of a candidate in his or her mid-40s.

4. For S Pass holders, for new applications from 1 September 2022 and for renewal applications from 1 September 2023, the minimum qualifying salary will be raised from the current $2,500.00 to $3,000.00 for the non-financial services sector, and from the current $2,500.00 to $3,500.00 for the financial services sector. Again, the qualifying salaries for older S Pass applicants will also be raised in tandem. A check on the Ministry of Manpower website shows that these qualifying salaries will be raised to $4,500.00 for the non-financial services sector in respect of a candidate in his or her mid-40s, and to $5,500.00 for the financial services sector in respect of a candidate in his or her mid-40s. Further raises have been penned in for new S Pass applications from 1 September 2023 and for renewal applications from 1 September 2024 (at least $3,150.00 for the non-financial services sector and at least $3,650.00 for the financial services sector), and for new applications from 1 September 2024 and for renewal applications from 1 September 2025 (at least $3,330.00 for the non-financial services sector and at least $3,800.00 for the financial services sector). The specific salary values will be announced closer to the implementation date, based on the prevailing local wages then. Hence the figures given on the Ministry of Manpower website for future increases are indicative only and may be subject to change.

The aim of these changes is for the S Pass holders to be comparable in quality to the top one-third of local Associate Professionals and Technicians.

5. The government will also refine how they assess EP applications, to improve the complementarity and diversity of our foreign workforce, and also to increase certainty and transparency for businesses. It now transpires that this will be in the form of a points system based on individual and firm-related attributes. In addition to meeting the qualifying salary, EP candidates must pass the points-based Complementarity Assessment Framework (COMPASS) from 1 September 2023.

6. In addition, the government currently regulates the number of S Pass holders with sub-Dependency Ratio Ceilings and levies. To better manage the flow of S Pass holders, they will progressively raise the Tier 1 levy (that is, where S Pass holders comprise up to 10% of the total workforce) from the current $330.00 to $650.00 by 2025 as follows:

From 1 September 2022	From 1 September 2023	From 1 September 2025
From $330.00 to $450.00	From $450.00 to $550.00	From $550.00 to $650.00

7. Finally, the government's work permit policies in the construction and process sectors will be adjusted, to spur greater productivity improvements and support more manpower-efficient solutions. This will help transform the sectors that have been more heavily dependent on foreign workers. The Dependency Ratio Ceiling, or DRC, will be reduced from the current 1:7 to 1:5. The current Man-Year Entitlement, or MYE, framework will be replaced with a new levy framework that will encourage firms to support more offsite work and employ more higher-skilled work permit holders. And to give companies time to prepare for the moves, these changes will take effect from 1 January 2024.

Comments

It is without doubt that the changes, especially in relation to EP applications and renewals, is to encourage MNCs to employ more Singaporeans, and to ensure that the foreign employees that are coming in on EPs are premium talent that they are unable to find in Singapore. Nevertheless, they have produced animated conversations among the Multi-National Companies ("MNC") in Singapore regarding what this means regarding recruiting talent (in particular foreign talent) via future EP applications and renewals. Their concerns appear to be as follows:

i. there is a limited talent pool in Singapore due to its small population (especially for high growth industries like tech, bio-sciences, robotics and artificial intelligence);

ii. any increase in the minimum qualifying salary for EPs means added payroll costs to MNCs;

iii. although there is currently no DRC for EPs and S Passes, they fear that any such implementation in the future will mean having to hire proportionally more Singaporeans to support the same number of foreign employees, and it may not be easy to hire enough Singaporeans due to a talent and skills shortage and the labour disruption caused by the COVID-19 pandemic;

iv. MNCs will also face challenges in managing the salary expectations of Singaporeans employed at the same or similar level as the foreign employee with the newly-increased salary.

There appears to be some anti-foreigner sentiment in Singapore due to a perception (rightly or wrongly) that the middle and senior management roles in MNCs tend to be disproportionately staffed by foreign nationals. The adjustment in minimum qualifying salaries and the DRC and levies, and the implementation of the COMPASS framework, could thus be seen as the Singapore government taking some steps towards addressing these concerns.

In our view, the new changes will have only limited success in weaning MNCs off foreign employees if there is a dearth of Singaporean talent in the relevant roles. The government therefore has to also upskill Singaporeans urgently for the relevant jobs that are in high demand and/or will be in high demand in the years and decades ahead. In that regard, a major revamp of the education curriculum may be in order.

Conclusion

The immediate aftermath of the changes as outlined above could be firms moving low-value work out of Singapore while keeping higher-value talent here.

Hopefully however, the medium and long-term changes would result in more Singaporeans being employed in the middle and upper tiers of management in the MNCs, while also ensuring that the foreign employees that are brought in are only the best and brightest talents not found in Singapore, working hand-in-hand with the local workforce to present Singapore as an unassailable investment destination for foreign investors, and allowing us to excel amid intense global competition in the years and decades ahead.

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