

# **Position Paper on Foreign Manpower in Singapore's Industrial Sector**

## **Executive Summary**

This paper highlights the challenges encountered by SICC with regards to regulations governing the various types of work passes and permits. It seeks to convey 3 key messages in relation to foreign manpower in the industrial sector as well as to make specific recommendations for each of these challenges. These are:

### ***1. Current execution of foreign manpower policies is inefficient for employers and for the government***

The existing system is inefficient because it

- (i) lacks transparency in how EP and S Pass applications are processed,
- (ii) compels companies to let go of skilled workers and
- (iii) hinders the achievement of desired training outcomes.

To enhance efficiency, the Ministry of Manpower (MOM) could permit a one-time work pass renewal for existing pass holders when new regulations are introduced. The assessment of a foreign worker's qualifying salary should be based on their total compensation (i.e. base salary + bonus + AWS + allowances) instead of just base salary to create a level playing field and prevent unnecessary wage inflation. A uniform employment period should also be applied to all foreign manpower in Singapore irrespective of nationality to ease manufacturers' transition towards greater automation.

In alignment with the government's goal to promote Singapore as a regional training hub and facilitate the development of talent, minimum salaries should not be mandatory for training programmes. A new segment of training pass could be defined for a one-for-one exchange training programme where a company sends a Singaporean abroad to hone and develop skills and brings in a colleague from another country to do likewise in Singapore. The Ministry of Education could streamline and share data required for processing with MOM to make the application process of S Passes for foreign graduates more efficient.

### ***2. Critical need for enhancement of the sector's productivity by retaining existing skilled foreign labour***

MOM could review regulations and prioritize pass renewals to enable greater retention of existing skilled foreign workers as they are more productive than newly recruited labour. This entails providing clear guidelines on the requirements for the approval of pass renewals, such as stating explicitly the revised qualifying salary. The current practice, which requires employers to discover the renewal salary amount by a trial-and-error approach with MOM is unproductive for companies and should be discontinued. Pass renewals at the existing salary level should be allowed for existing skilled foreign workers to enable greater continuity in teams in order to achieve sustained productivity outcomes.

### ***3. Need to recalibrate foreign manpower quotas and requirements based on a sector's ability to attract Singaporeans***

For sectors that are less desired as career options by Singaporeans, a more relaxed approach could be adopted, while correspondingly tightening quotas and regulations on jobs/sectors that are in higher demand by Singaporeans. The list of approved source countries for the manufacturing sector should be expanded as foreign workers from the existing traditional sources are currently not taking up jobs offered here in Singapore.

#### **Part I: Challenges and Proposed Recommendations**

The need to transit towards a manpower-lean economy with a strong Singaporean core was unveiled this year as an integral part of Singapore's economic restructuring. This move signifies a shift towards productivity as Singapore's new source of growth, which is much needed to sustain our economy as the number of young Singaporeans entering the workforce continues to decrease. Given such circumstances, the government has called for greater automation of business processes and maintenance of the local to foreign worker ratio at 2:1 in an effort to raise productivity levels and for societal considerations.

To ensure a smooth transition, foreign manpower is critical as a buffer while companies automate processes and send local employees for skills training. In addition to this, foreign labour will be required to take up jobs that Singaporeans shun, particularly in industries that the government wishes to retain and for skills necessary for our society to function. Examples are skilled jobs such as carpenters, plumbers, electricians, nurses and so on.

The Chamber recognizes that schemes such as SkillsFuture and the LED Scheme have been introduced to address these issues. However, the results of these initiatives will require time to materialize. Until then employers will continue to be constrained by the various types of work passes. As such, the Chamber would like to highlight the following challenges and propose specific recommendations to the regulatory framework of the work passes to help realize the government's aim of long-term productivity gains balanced with the societal aim of Singapore not becoming another Dubai.

## **Regulatory Matters Pertaining to Employment of Foreign Labour**

### **3.1. Work Pass Challenges and Recommendations**

#### **3.1.1. Lack of or Short Notice Periods**

At present, amendments to work pass regulations are made without providing existing pass holders any grace period to renew their passes. In addition to this, the implementation of these amendments is often uneven. This continues to cause much distress for both employees and employers.

*This is an account by a manufacturer that has been negatively affected by these amendments:*

*'The nature of the jobs in our company may be considered specialist roles because of the specific skill-set required. It takes at least 3 months for training to be completed, including on-the-job training. Mostly, people who are willing to take up jobs here are older workers and foreigners from Malaysia or the PRC. It's tough to employ younger Singaporeans – they come and then leave after a while, saying that this is not the job for them. Platforms like E2i, JobsDB and even the Yellow Ribbon Project were all explored for potential candidates but response is almost always bad.*

*The sudden amendments to pass regulations have caused us to lose much foreign labour that has accumulated valuable skills and experience over the years. We are adopting automation for some but not all processes because some of them still require manual precision and accuracy in calibration. In this sense, the loss of foreign manpower is a big loss to us.'*

As such changes to work pass rules occur swiftly and unexpectedly, foreign employees in question are often ill prepared to cope with the sudden loss of work passes and hence jobs. Workers feel demoralized by the impending cessation of their income source and this affects their performance at work. It also adds costs for employers because the departure of skilled foreign employees adversely impacts productivity levels within the organization and means a need to recruit and retrain new staff.

A closely related problem faced by industrialists is the short notice period given to employers to repatriate foreign workers when quotas are exceeded. In some instances, this imbalance of quotas is brought about by internal inter-departmental

transfers of foreign manpower or the resignation of Singaporean workers. This leaves employers with inadequate reaction time to reshuffle existing workers to cope with the loss of manpower.

*An employer from the Industrialist Committee shared his personal encounter:*

*'Without giving any prior notice that we have exceeded our quotas, we received a letter informing us to send 3 of our foreign workers on S Pass / Work Permit back. To worsen matters, we had merely 3 weeks or lesser time to act upon. How is that enough time for us to re-deploy staff and prevent disruption to our operations if we are short-handed? The foreign workers we're asked to repatriate are skilled and have been with us for years. It's a huge loss to us on top of the fact that we have to recruit and train Singaporeans to fill their positions.'*

*While we understand the need to build a Singaporean core, Singaporeans are reluctant to join our industry. We have tried going to Polytechnics to conduct recruitment drives but there were no takers. We have also tried posting vacancies on various job portals like the Jobs Bank, JobsDB, and etc. with no results. Save for 2 female interns from ITEs, we observe little interest amongst Singaporeans in our industry, especially the younger generation, even if this is related to what they studied.'*

#### **Proposed Recommendation:**

MOM should allow for a one-time work pass renewal when new regulations are rolled out. This would give employees ample time to make necessary arrangements for alternative employment. Employers would also be able to work out a manpower contingency plan in the interim.

A possible solution to the short notice period provided for the repatriation of foreign workers would be for MOM to send letters to companies alerting them of the need to monitor their foreign labour count, when they are close to exceeding or have exceeded the stipulated quota.

#### **3.1.2. Regular Changes to S Pass and EP Salary Criteria**

The prevailing salary criteria for S Pass and EP holders are based on a potential pass holder's monthly fixed income. This basis of assessment is seen by many

employers to be unfair since it excludes those companies from consideration that reward good performance with variable incentives or have commission-based jobs.

There are also too regular revisions to the qualifying salary criteria for both types of passes. While employers understand the need to enforce stricter eligibility requirements to curb foreign worker growth and ensure only the entry of skilled labour, upward revisions to the salary criteria have imposed additional burdens on companies. In fact, the only thing that is achieved is increased business costs because increased salaries do not attract Singaporeans to join companies/sectors they are not interested to work in.

For instance, the recent increase in the EP qualifying salary has changed the employment status of several existing EP holders to S Pass holders when their pass is renewed. As a result, companies end up with more S Pass holders than their permitted quota. This creates two key costs for employers. It reduces productivity because employers have to let go of trained, more skilled foreign workers to comply with regulations. The other cost element is additional manpower costs due to the need to recruit and train new, unskilled workers.

In addition to this, the quantum of renewed salaries is not stated explicitly on the MOM website. This leaves employers having to apply for the renewal of passes on a trial-and-error basis before applications are approved. We recommend this process of 'guessing' the revised salary levels should be discontinued because it is time-consuming and unproductive for companies and government alike.

### **Proposed Recommendation:**

The eligibility of a foreign worker should be assessed on the basis of their total compensation instead of just their base salary. Given the wide range of diverse remuneration systems adopted by companies, the Ministry could extend its scope of consideration so that companies offering variable wage components do not incur additional increases in manpower costs.

The government is encouraged to permit a pass renewal at the existing salary for existing foreign workers when there is a salary revision. This concession would apply only to existing foreign workers employed by the company. It would allow employers more time to plan for cost adjustments. It would also allow companies to retain more skilled foreign workers and spend less time, money and effort on recruiting new unskilled foreign workers. Both of these results would increase

productivity. Accordingly, we recommend the government consider making salary revisions applicable only to newly recruited foreign workers.

### **3.1.3. Limited Labour Pool obtainable from existing Approved Source Countries for Manufacturing Sector**

Based on MOM's regulations, companies in the manufacturing sector are only allowed to employ foreign workers from these countries:

- Malaysia
- People's Republic of China (PRC)
- North Asian sources (NAS):
  - Hong Kong (HKSAR passport)
  - Macau
  - South Korea
  - Taiwan

Except for the PRC, industrial players have found it challenging to employ foreign manpower from the other approved source countries. Some manufacturers attribute this to the comparable standards of living that these countries have in relation to Singapore. Their citizens could therefore, be more inclined towards jobs – with better working conditions – beyond the manufacturing sector. This also means that the citizens of these countries would not want to come to Singapore to take up jobs that they do not already want to do back in their own countries.

*This account was shared by a manufacturer who had difficulties recruiting foreign labour from the abovementioned source countries:*

*'We normally conduct roadshows as part of our recruitment drive for foreign workers from Malaysia, PRC, Hong Kong, Korea, etc. Even then, there are no takers for jobs offered. Simultaneously, our job vacancies are posted on various job portals specifying a demand for Malaysian, Chinese or North Asian countries' workers but there's no response. There are even headhunters who come back to us, saying that people from these countries do not want to do our jobs, simply because it is not befitting of their status. We have also explored the inland provinces of source countries for manpower but often problems would arise not long after, such as workers claiming that they are home sick and would not return to work anymore as*



*well as job-hopping. If Singaporeans do not want to join our company, and there's no labour supply from the approved sources, how do we get manpower?'*

In this sense, employers feel constrained by the existing list of source countries in their employment of foreign workers.

### **Proposed Recommendation:**

The list of approved source countries for the manufacturing sector should be reviewed and expanded to include Thailand, Indonesia, Philippines and India. Industrialists believe that the likelihood of their people taking up jobs in the sector is higher. Singapore could also leverage on sector-specific skills and expertise that foreign labour from India and Thailand has to offer in supplementing the limited pool from the PRC and Malaysia, given their status as advanced industrial economies (United Nations Industrial Development Organization, 2015)<sup>1</sup>.

#### **3.1.4. Maximum Employment Period for Work Permit Holders in Manufacturing Sector Too Short**

The maximum periods of employment for Work Permit holders in the manufacturing sector, stipulated by MOM, are as follows:

- PRC – Unskilled (R2) = 10 years
- PRC – Skilled (R1) = 18 years
- NAS (North Asian Source, Malaysia) = No maximum period of employment; up to 60 years of age.

Concerns have been raised over losses accrued to companies as a result of the limit imposed on the period for which PRC workers are employable. Significant investments in training and development often go to waste because training periods

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<sup>1</sup> United Nations Industrial Development Organization. (2015). International Yearbook of Industrial Statistics 2015, p. 71. Retrieved from:  
[https://books.google.com.sg/books?id=FAKMBgAAQBAJ&pg=RA1-PA27&lpg=RA1-PA27&dq=india+and+thailand+as+industrial+economies&source=bl&ots=rstwiyQ4ul&sig=GZ9W8yFzQ5m3RQ7-4dK-FiAE5kM&hl=en&sa=X&ved=0CEwQ6AEwCWoVChMI-5\\_7jpyvyAIVYSCmCh0X2QO4#v=onepage&q=india%20and%20thailand%20as%20industrial%20economies&f=false](https://books.google.com.sg/books?id=FAKMBgAAQBAJ&pg=RA1-PA27&lpg=RA1-PA27&dq=india+and+thailand+as+industrial+economies&source=bl&ots=rstwiyQ4ul&sig=GZ9W8yFzQ5m3RQ7-4dK-FiAE5kM&hl=en&sa=X&ved=0CEwQ6AEwCWoVChMI-5_7jpyvyAIVYSCmCh0X2QO4#v=onepage&q=india%20and%20thailand%20as%20industrial%20economies&f=false)



occupy a large portion of their job tenure. In addition, employers are reluctant to lose this reliable source of skilled labour given the high employability rates of PRC workers in the industrial sector.

*One such instance was illustrated by an employer in the manufacturing sector:*

*'A foreign worker from the PRC who's on work permit has been working in a company for 18 years, and has acquired the relevant skills and expertise. Unfortunately, upon the completion of his 18<sup>th</sup> year, the said worker was no longer allowed to renew his work pass. An application for the S pass was also rejected although prevailing salary requirements were met.*

*As such, the company had to repatriate the foreign worker, consequently losing all 18 years' worth of skills and experience even when he is still fit for continued employment in Singapore.'*

#### **Proposed Recommendation:**

A uniform period of employment should be applied to all foreign manpower in Singapore, regardless of their source country. The Chamber is of the view that PRC workers are just as skilled as those from Malaysia or of North Asian origin and encourages the government to review the significantly shorter employment duration allowed for PRCs. This regulation is perceived by employers to be a form of restriction on the available pool of foreign labour.

#### **3.1.5. Overly High Qualifying Salary for Training Employment Pass**

Based on stipulated requirements, an existing full time trainee from a foreign office or subsidiary must be paid a fixed monthly salary of at least S\$3,000 in order to qualify for a Training Employment Pass.

This criterion prevents companies from bringing in employees who are working in subsidiaries or offices based in other Southeast Asian countries such as Vietnam, Philippines, Thailand and Indonesia – where wages are often not as high as those offered locally – to Singapore to receive training. In this sense, it prohibits cross-border exchanges of skills, expertise and learning opportunities. It also undermines Singapore's status and competitiveness as a training hub and regional headquarters for many MNCs.

For instance, engineers from a company's subsidiary in The Philippines are eligible for a Training Employment Pass only if their salaries have reached a minimum of S\$3000. As the average wage of their engineers is lower than that of other Asian countries, they are generally unsuccessful in their applications for this pass.

In addition to this, the criterion unnecessarily increases costs for employers.

### **Proposed Recommendation:**

While companies understand that the minimum salary requirement is introduced to protect foreign employees' interests, their welfare (such as living expenses during their stay in Singapore and their repatriation) is the sole responsibility of their employers. It should be left to the respective companies to determine how much a foreign worker - whom they wish to train - should be earning. This is because employers are better positioned to assess the quality and suitability of an employee based on their skill-sets, relevant work experience and education, hence the remuneration they deserve.

The qualifying salary for this pass should be reduced because the limit imposed on its validity period amply safeguards against possible abuse of its issuance.

### **3.1.6. Vague Classification of Training Programs under Existing Passes**

Training programmes may vary greatly in scope and nature for each company. This is customary as such training is often designed to equip employees with the unique set of skills demanded by their employer. This has, however, given rise to problems in obtaining passes for some of the unconventional training programmes introduced. For example, new training programmes are often conveniently fit into existing pass categories such as the EP. This is restrictive because the programmes are limited by pass requirements, which would prevent the achievement of intended training outcomes.

*An employer shared their account:*

*'Being an MNC, our company has offices in many different countries. In recent years, we have been trying to enhance interaction between employees across the borders. This would allow for the sharing of best practices hence raising our brand*

*quality globally. As such, we plan to launch a programme that involves a temporary internal job switch between local employees and those based in another country over a period of 4 months. For example, a worker from Vietnam may switch roles with someone in Singapore. This swap may occur across business areas with the aim of providing our employees an opportunity to gain overseas exposure and learn good work habits from each other. Through this, they will also gain a better understanding of the various work processes which could enable them to be more productive after returning to their respective roles. We wish to emphasize, however, that no new jobs are created during the process and as such, no jobs will be snatched.*

*When we enquired about the relevant pass to apply for employees under this programme, we were informed by MOM that it would fall under the classification of the EP. Furthermore, we will only be allowed to conduct the programme over a period of 1 month. This condition coupled with the pass classification is very restrictive especially since most workers are likely to be in the initial stages of their learning curves. In this case, the desired outcomes of our programme will not be achieved.'*

#### **Proposed Recommendation:**

In view of the constraints imposed by the existing system, a new segment of training pass should be defined. This category could cater specifically for a one-for-one training exchange programme between foreign but existing full time employees based in an overseas subsidiary and local employees from the same organization in Singapore. This would accord with the government's goal to promote greater global mobility of Singaporeans and enhance their capabilities and skills.

#### **3.1.7. Inefficient S Pass Application Process for Foreign Graduates serving Tuition Grant Bonds / Service Obligations**

Currently, the EP Online system through which S Pass applications are submitted does not allow employers to indicate the statuses of foreign graduates to be employed. These graduates could be serving their bonds for tuition grants received or fulfilling other service obligations. Instead, employers are required to make separate submissions of S Pass applications and status declarations via EP Online and iSubmit (complete with supporting documents) respectively. This process is cumbersome for employers and causes time wastage.

### **Proposed Recommendation:**

The Ministry of Manpower could work closely with the Ministry of Education (MOE) in making the process more efficient. This would involve MOE streamlining data on foreign graduates – in particular information on whether they are fulfilling tuition bond or other service obligations – before making them available to MOM for processing applications.

In the event where this is not possible, the Ministry is encouraged to provide a field in the EP Online system that would allow employers to indicate graduates' statuses easily (i.e. serving bond obligations).

### **Conclusion**

A crucial point that the Chamber would like to emphasize is that the present execution of regulations pertaining to the various work passes and permits is counterproductive to productivity efforts. The existing system is inefficient as the ambiguity of procedures causes employers to waste time and resources on applications and appeals. Similarly, this practice creates much unnecessary administrative work for the government, resulting in a disproportionate amount of time spent on unproductive matters. This implies that there is a need for the government to review the existing system in order to enhance productivity for itself and for businesses.

As Singaporeans increasingly pursue careers in PMET positions, there will continue to be a supporting base of jobs that may be more manual in nature or have conditions that would not appeal to citizens. The drive for greater automation – which is a time-consuming process – gives added impetus to the need for skilled foreign labour as a buffer for companies to make a smooth transition.

In addition to this, the government has to recognize that Singaporeans may lack certain skill-sets required by employers. For example, companies in the process automation engineering industry are lacking manpower trained in high value-added engineering know-how. A focus on education/training in process automation was established only recently. Until this pool of Singaporean students/trainees is ready to join the workforce, and assuming they will join the sector they study for, companies in this industry are constrained by the S Pass quota.