

1. BACKGROUND

The Government of Singapore has always adopted an “open-door” policy in welcoming talented, highly qualified and highly skilled foreigners to work and live in Singapore. A very small country without any natural resources, Singapore’s economy is heavily dependent on its manpower. However, with a relatively small population, declining birth rate and a dependency ratio of nearly 40%, Singapore has to turn to foreigners to boost the size of its labour force. The table below shows some statistics which explain the need for foreign labour to complement the local workforce in order that Singapore may continue to be globally competitive.

STATISTICS SINGAPORE, YEAR 2004

Land Area	699 sq km
Population (Total)	4,240,300
Population (Singapore Citizens and Permanent Residents)	3,486,900
Crude Birth Rate (Per 1,000 Population)	16.2 in Year 1994 to 10.1 in Year 2004
Labour Force	2,183,300
Labour Force Participation Rate	64.2%
Dependency Ratio (Per 100)	39.1
Foreign Direct Investment (Year 2003)	S\$244,391 million

Over the years, as Singapore progresses, increasing affluence of its people has resulted in an acute shortage of manpower in certain sectors of the economy. The Singaporean workers have been accused of being too picky, shunning jobs which are considered to be dirty, of low status, require shift work or pay poorly. Thus, in order to fill such job vacancies, the Government has to relax its policies even more to allow semi-skilled as well as unskilled foreigners to work in Singapore.

N.B. For values in this report which are in Singapore Dollars (S\$), the exchange rates as at 20 October 2005 were:

S\$1.6945 = US\$1.00 and

S\$1.4672 = 100 Japanese yen

2. SINGAPORE'S WORK PASS FRAMEWORK

Foreigners who wish to take up employment or do business in Singapore must have valid Work Passes. Under the Singapore's Work Pass Framework, there are three main types of Work Passes. They are:

- Employment Pass;
- S Pass; and
- Work Permit

(a) *Employment Pass*

A foreigner holding acceptable degrees, professional qualifications or specialist skills and is offered a professional, administrative, executive or managerial position with a monthly basic salary of above S\$2,500 can apply for an Employment Pass.

- A P1 Pass will be issued if the applicant's monthly basic salary is more than S\$7,000.
- A P2 Pass will be issued if the applicant's monthly basic salary is more than S\$3,500 and up to S\$7,000.
- A Q1 Pass will be issued if the applicant's monthly basic salary is more than S\$2,500.

The EntrePass is an Employment Pass for a foreigner who is ready to start a new company or business in Singapore. Applicants are to submit their applications to the Ministry of Manpower (MOM) and they are assessed by SPRING Singapore. The foreign entrepreneur should be actively involved in the operation of the company or business in Singapore. The proposed business venture must not be engaged in illegal activities. In addition, businesses not of entrepreneurial nature will not be considered for an EntrePass. Examples of non-entrepreneurial businesses include coffee shops, hawker centres, food courts, foot reflexology, massage parlours, karaoke lounges, money changing/remitting, newspaper vending, geomancy and tuition services.

(b) S Pass

The S Pass is a new category of Work Pass which replaces the Q2 Pass. The objective of S Pass is to increase flexibility and responsiveness of the foreign manpower framework to industries' needs for skilled manpower at the middle level, such as specialised workers and technicians. A foreigner who is offered a job with a monthly basic salary of at least S\$1,800 may be eligible to apply for an S Pass. Applicants will be assessed on a points system, taking into account a multiple of criteria which include salary, educational qualifications, skills, job type and work experience.

(c) Work Permit

Unskilled or semi-skilled foreigners who wish to work in Singapore must apply for Work Permits in accordance with the Employment of Foreign Workers Act. Work Permits are generally issued to foreigners with monthly basic salaries of not more than S\$1,800 and they are issued according to industrial sectors such as the construction, non-construction and domestic sectors.

The non-construction sector comprises the service, manufacturing, town council conservancy services, grass-cutting services and marine sectors. Examples of companies in the service sector are those involved in the following business activities:

- ↳ Financial, insurance, real estate and business services;
- ↳ Transport, storage and communications services;
- ↳ Commerce (retail and wholesale trade);
- ↳ Community, social and personal services (exclude domestic workers);
- ↳ Hotels;
- ↳ Restaurants, coffee shops, food courts and other approved food establishments;
- ↳ Despatch and delivery services; and
- ↳ Hair-dressing and beauty shops.

Under the domestic sector, female foreign workers are hired to help out with household chores and bear part of the responsibility for caring of children or elderly

sick. These domestic workers relieve Singaporean women for the workplace and contribute to Singapore's economy and the well-being of families.

(d) Statistics On Work Pass Holders In Singapore

According to the MOM, there are currently more than 620,000 Work Pass holders in Singapore. The breakdown figures by type of Work Pass they hold are as follows:

Employment Pass holders (highly skilled workers and professionals)	=	72,000
S Pass holders	=	8,000
Work Permit holders (unskilled and semi-skilled workers)		
(i) construction sector	=	125,000
(ii) non-construction sector	=	265,000
(iii) domestic sector	=	150,000

(The MOM apologised for not being able to provide further breakdown of the figures by occupation, industries, etc. as they are meant strictly for the Work Pass Division's internal assessment only.)

3. APPROVED SOURCE COUNTRIES

A prospective employer must apply to the Controller of Work Permits for a valid Work Permit before employing a foreign worker.

(a) Construction Sector

Construction workers may be recruited from Malaysia, the People's Republic of China (PRC), the Non-Traditional Sources (NTS) and the North Asian Sources (NAS). The NTS countries include India, Sri Lanka, Thailand, Bangladesh, Myanmar, the Philippines and Pakistan. The NAS countries include Hong Kong, Macau, South Korea and Taiwan.

The PRC, NTS and NAS workers must not be in Singapore at the time when their prospective employers are applying for their Work Permits. This is to discourage large groups of unskilled workers coming into Singapore to look for employment. The employers can bring them in only after obtaining the In-Principle Approvals and furnishing a security deposit of S\$5,000 per worker.

(b) *Non-Construction Sector*

Service Sector

Companies in the service sector are allowed to recruit workers from Malaysia and the NAS countries which include Hong Kong, Macau, South Korea and Taiwan. They are generally not allowed to recruit NTS workers except:

- ✓ cleaning contractors with Town Council contracts; and
- ✓ contractors with Town Council or Government grass-cutting contracts that are valid for at least one year at the time of application.

The above two groups that are allowed to employ NTS workers have to apply for Prior Approval first before submitting their applications for individual Work Permits.

The NTS workers are not allowed to change employers. The current employer must first repatriate the workers to their home countries, after which the prospective employer may submit applications to employ them.

Manufacturing Sector

Companies in the manufacturing sector are allowed to recruit workers from Malaysia, the PRC and the NAS countries. They are not allowed to recruit NTS workers except for companies dealing in electroplating, die-casting, metal heat treatment and foundry.

Those companies with the above approved business activities employing NTS workers for the first time need to apply for Prior Approval before submitting their applications for individual Work Permits.

Like their counterparts working in the service sector, the NTS workers employed in the manufacturing sector are also not allowed to change employers. They have to be

repatriated to their home countries first, after which prospective employers may submit applications to employ them.

Town Council Conservancy Services

Cleaning contractors with Town Council contracts can employ foreign workers from the NTS countries to meet their manpower shortages. The objective of this scheme is to help Town Council cleaning contractors to step up mechanisation efforts and meet their manpower shortages in the short term, whilst the industry upgrades and reduces its manpower requirements in the long run.

The company should apply for Prior Approval to recruit NTS workers. The supporting Town Council has to endorse the application form. Once a Prior Approval has been given, the company can submit individual application forms for Work Permits.

Grass-Cutting Services

Similarly, companies with Town Council or Government grass-cutting contracts are allowed to employ foreign workers from the NTS countries to meet their manpower shortages.

An application for Prior Approval to recruit NTS workers is required. Once the approval is given, the company can submit individual application forms for Work Permits.

Marine Sector

Examples of companies classified under the marine sector are those involved in ship-building and ship-repairing. These companies are allowed to recruit workers from Malaysia, the NTS or the NAS.

However, application for Prior Approval to recruit NTS workers is necessary. Once the Prior Approval is given, the company can submit individual application forms for Work Permits.

(c) Domestic Sector

The Foreign Domestic Worker Scheme allows employers to employ foreign domestic workers from approved sources such as Malaysia, the Philippines, Indonesia, Thailand, Myanmar, Sri Lanka, India and Bangladesh.

4. CONTROL SYSTEM

A comprehensive control system for the employment of foreign workers is in place to avoid an over dependence on them and to prevent a massive influx of foreign labour into the country. Control takes various forms but the two main ones are Dependency Ceiling/Quota and Foreign Worker Levy. These vary from sector to sector and can be adjusted from time to time as a means of moderating the demand for foreign workers. Economic conditions do affect the demand for foreign labour too.

(a) Construction Sector

Dependency Ceiling/Quota: Companies in the construction sector are required to adhere to a dependency ceiling of one full-time local worker to four foreign workers. This means that for every full-time Singapore Citizen or Singapore Permanent Resident employed by a company in the construction sector, the company can employ four foreign workers (the ratio is 1:4).

Foreign Worker Levy: For every unskilled foreign worker employed by a company in the construction sector, it has to pay the Government a foreign worker levy of S\$470 a month. However, if the worker has the relevant skills, the company needs to pay a much lower levy of S\$80 only. Construction workers with Basic Skills Certificate (BSE) are placed on the normal levy rate, whereas those with Skills Evaluation Certificate (SEC) are placed on the lower levy rate. This gives companies the incentive to hire skilled workers or send their workers for skills training and up-grading.

(b) Non-Construction Sector

Service Sector

**DEPENDENCY CEILING/QUOTA & FOREIGN WORKER LEVY RATES,
SERVICE SECTOR**

	Dependency Ceiling/Quota	Category of Foreign Workers	Monthly Levy Rates (S\$)
Tier 1	Up to 30% of total workforce	Skilled Unskilled	80 240
Tier 2	Above 30% to 40% of total workforce	Skilled/Unskilled	500

Dependency Ceiling/Quota: Companies in the service sector are allowed to employ foreign workers on Work Permits up to 40% of the company's total workforce. A two-tier system of control is applied to this sector. Under Tier 1, the dependency ceiling is up to 30% and under Tier 2, it is above 30% to 40%. The dependency ceiling for the employment of foreign workers holding an S Pass is up to 5% of the company's total workforce.

Foreign Worker Levy: Under Tier 1, a monthly levy of S\$240 has to be paid for every unskilled foreign worker a service-sector company employs. However, the levy is only S\$80 if the foreign worker is skilled. Under Tier 2, the monthly levy is S\$500 regardless of whether the foreign worker is skilled or unskilled. For every S Pass holder employed, the company in this sector needs to pay a S\$50 levy every month.

Manufacturing Sector

**DEPENDENCY CEILING/QUOTA & FOREIGN WORKER LEVY RATES,
MANUFACTURING SECTOR**

	Dependency Ceiling/Quota	Category of Foreign Workers	Monthly Levy Rates (S\$)
Tier 1	Up to 40% of total workforce	Skilled Unskilled	80 240
Tier 2	Above 40% to 50% of total workforce	Skilled Unskilled	80 310
Tier 3	Above 50% to 60% of total workforce	Skilled/Unskilled	500

Dependency Ceiling/Quota: Manufacturing-sector companies can employ foreign workers on Work Permits up to 60% of the company's total workforce. For PRC workers, the company may employ up to 10% within the 60% dependency ceiling. The manufacturing sector has a three-tier system of control. The quotas for hiring Work Permit holders under Tier 1, Tier 2 and Tier 3 are up to 40%, above 40% to 50% and above 50% but up to 60% of the company's total workforce. A company in this sector can also employ S Pass holders but it is subject to a ceiling of 5% of its total workforce.

Foreign Worker Levy: Under Tier 1, a manufacturing company has to pay a monthly levy of S\$240 for every unskilled foreign worker it employs. However, if the worker has the relevant skills, the company pays a lower levy of S\$80 per month. The levy rates for the employment of unskilled and skilled foreign workers on Work Permits under Tier 2 are S\$310 and S\$80, respectively. Under Tier 3, the monthly levy is S\$500 each for both skilled worker and unskilled worker. The levy for employing an S Pass holder is S\$50 per month.

Town Council Conservancy Services & Grass-Cutting Services

Dependency Ceiling/Quota: Companies providing conservancy services or grass-cutting services to Town Councils, Government Departments or Statutory Boards must have sufficient local employees to support their applications for the employment of foreign workers on Work Permits. Their dependency ceiling is 30% of the company's total workforce.

Foreign Worker Levy: For every unskilled Work Permit holder these service companies employ, they have to pay a monthly levy of S\$240. However, if the foreign worker has the relevant skills, then the levy is only S\$80 a month.

Marine Sector

Dependency Ceiling/Quota: The dependency ceiling/quota is three foreign workers to every full-time local worker. This means that for every full-time Singapore Citizen or Singapore Permanent Resident worker employed by a company in the marine sector, it can employ three foreign workers (the ratio is 1:3).

Foreign Worker Levy: The monthly levy for employing an unskilled Work Permit holder in the marine sector is S\$295, while the levy for a skilled worker is much lower, at S\$80 a month only.

(c) Domestic Sector

Foreign Worker Levy: The employer is required to pay a foreign domestic worker levy of S\$295 (normal) or S\$200 (concessionary) per month. Those who are eligible for the concession must satisfy any one of the three conditions stipulated by the MOM at the time of their application for the levy concession. Basically, an employer or spouse has a child or grandchild who is a Singapore Citizen below 12 years old and is living with him/her is eligible for a levy concession. Elderly Singaporeans (aged 65 years and above) as well as those who are living with elderly relatives who are Singapore Citizens or Permanent Residents may also apply to pay the concessionary rate.

5. ILLEGAL EMPLOYMENT

Foreigners who take up employment or do business in Singapore must have valid Work Passes. Their stay in Singapore is governed by the Employment of Foreign Workers Act (Chapter 91A) and the Immigration Act (Chapter 133). Under the Employment of Foreign Workers Act, employers can be charged for illegally employing or illegally deploying a foreign worker. Section 5 of the relevant chapter in the Act clearly states that:

- ✎ No person shall employ a foreign worker unless he has obtained in respect of the foreign worker a valid work permit which allows the foreign worker to work for him;
- ✎ No foreign worker shall be in the employment of an employer without a valid work permit and
- ✎ No person shall employ a foreign worker otherwise than in accordance with the conditions of the work permit.

Anyone who is found guilty of illegally employing a foreign worker without a valid Work Pass shall be liable on conviction to a fine of an amount of not less than 24

months' levy and not more than 48 months' levy or to imprisonment for a term not exceeding 12 months or to both. For second and subsequent convictions, the errant employer will face mandatory imprisonment. In the case of an individual, he shall be punished with imprisonment for a term of not less than one month and not more than 12 months and shall also be liable to a fine of an amount of not less than 24 months' levy and not more than 48 months' levy. In the case of a corporate body, the penalty shall be a fine of an amount of not less than 48 months' levy and not more than 96 months' levy.

A foreigner who is found guilty of being in the employment of an employer without a valid Work Pass shall be liable on conviction to a fine not exceeding S\$5,000 or to imprisonment for a term not exceeding 12 months or to both.

6. DURATION OF WORK PASS AND REPATRIATION

An Employment Pass or an S Pass may be issued to a first time applicant for a period of up to two years. It may be continuously renewed for a period of three years each time, as long as the applicant is still legally employed. There is no maximum period of employment for Employment Pass and S Pass holders. They can work in Singapore until the prevailing retirement age. But upon cessation or termination of employment or attaining Singapore Permanent Residence, the Employment Pass or S Pass must be cancelled. The Pass shall be deemed to be cancelled from the date of cessation or termination of employment.

A Work Permit is usually issued for a period of two years. It can be renewed on a two-year basis. A Work Permit is valid only in respect of the trade or occupation and the employer and foreign worker specified therein. If a foreign construction worker has obtained only the BSC, he will not be allowed to work for more than an accumulated period of four years. However, if the worker has obtained the SEC, he can work up to fifteen years.

When an employer no longer requires the service of a foreign worker, he has to ensure that all issues arising from the employment including any outstanding wages and claims for compensation have been settled with the worker before the Work

Permit is cancelled. It is fair to give due notice to the worker of the cancellation of the Work Permit. The employer's levy liability will cease from the date of cancellation.

The Work Permit of a foreign worker should be cancelled:

- i) on the termination of the worker's employment (inclusive of resignation);
- ii) before the expiry of the worker's Work Permit if the employer does not want to renew the Work Permit; or
- iii) on the expiry of the Work Permit.

Employers are responsible for the repatriation of their foreign workers since they brought them into Singapore. To ensure that they fulfill this obligation, employers are required to execute a Security Bond of S\$5,000 for each PRC, NTS and NAS worker employed. It can be in the form of a Banker's Guarantee, Insurance Guarantee, Cash or Cheque payable to the Controller of Singapore Immigration. If an employer fails to repatriate a foreign worker upon the cancellation of his Work Permit, the employer risks losing the S\$5,000 deposit. The Security Bond will be discharged within two weeks of the worker's departure from Singapore if there is no breach of any of the conditions stated in the Security Bond.

7. SOCIAL BENEFITS AND PROTECTION

Foreign workers, like local workers, are covered under the Employment Act which was enacted to provide for the basic terms and conditions for all types of employees except those employed in managerial, executive or confidential positions, seamen and domestic workers. Employment contracts should include the basic terms and conditions of the foreign workers' employment in Singapore. These terms and conditions should not be less favourable than those provided in the Employment Act. Employers who do not follow the Employment Act face the possibility of being barred from future Work Permit applications.

Besides the inclusion of the terms and conditions of employment stipulated in the Employment Act, employers of Work Permit holders are generally responsible for providing workmen's compensation and sending those employed as construction workers to the Safety Orientation Course. For non-Malaysian workers, employers

are responsible for their upkeep and maintenance; and providing them with adequate housing. The employers also have to post a S\$5,000 Security Bond and bear the cost of the workers' eventual repatriation.

As domestic workers are not covered by the Employment Act, the MOM has proposed some guidelines for drawing up written agreements on employment terms and conditions between employers and their foreign domestic workers. Those guidelines are not exhaustive and any party may include other terms and conditions agreeable between the employer and the worker. However, the following medical benefits must be provided by the employer of a foreign domestic worker:

- ✚ To cover the worker under a Personal Accident Insurance of not less than S\$10,000 with the worker or worker's next-of-kin as the beneficiary of the Insurance;
- ✚ To bear all medical expenses incurred by the worker and ensure that she has adequate rest during her illness; and
- ✚ To pay for all medical expenses incurred by the worker for all compulsory medical examinations that are directed by the Controller of Work Permit, including the compulsory six-monthly medical examinations.

Employers of foreign domestic workers are also responsible for and bear the costs of the workers' upkeep and maintenance. They are to provide safe working conditions and acceptable accommodation for their domestic workers.

Like any local worker, every working foreigner in Singapore can be a union member and enjoy the benefits that come with it. Examples of social benefits that all union members may enjoy are the use of recreational facilities, attending upgrading and enrichment courses at subsidised rates, making purchases at promotional offers from a wide network of merchants and other privileges. Since September 2002, the law has been amended to allow partial representation of executives. Only executive employees working in unionised companies may join the rank-and-file unions in those companies for limited representation rights.

No published data on union membership of foreign workers is available. But apparently, foreign construction and domestic workers are less likely to join any union, as compared to their counterparts working in the service-sector. This is probably due to language problem and the relatively low salaries they earn. Any

dispute with their employers is resolved among themselves, failing which the workers can seek the assistance of their agents, volunteers/voluntary groups or the MOM.

8. SOCIAL INTEGRATION

Singaporeans are so used to living in a very densely populated and very cosmopolitan environment, so much so they seem to be oblivious of the increasing number of foreigners working and living amongst them. The impression they give is that they are too caught up in the rat race and are thus very busy with their own hectic life. Based on the writer's observation and experience, there are definitely some foreigners who are able to integrate socially with the local community but the number or proportion of them doing so is minimal. However, most of the locals have no problems working and interacting with foreigners at work and in company functions.

Among all the foreigners working in Singapore, Malaysians are the ones who have little or no problems immersing into the Singapore society. This is due to the close proximity of their country to Singapore, similarities in race, language and culture, and the fact that many of them have received part of their education here. It is also not unusual to find Malaysians having close relatives and friends who are Singaporeans.

Generally, Employment Pass holders tend to join country clubs and associations where they are able to meet and socialise with their own fellow countrymen who are also working and living in Singapore. On the other hand, Work Permit holders, especially those from the NTS countries, tend to "click" among themselves in large groups. They can be easily spotted in public spaces such as shopping centres and parks on their days off from work (usually on Sundays and public holidays). Their congregation in large numbers at certain parts of Singapore has created "Little Thailand" at Golden Mile Complex in Beach Road and "Little India" in Serangoon Road. The Lucky Plaza and an open park nearby in Orchard Road are the favourite haunts of the Filipinos, mainly those working as domestic workers. They pack these places every Sunday to exchange the latest news about themselves and their common friends, their families and relatives back home.

The writer is of the opinion that there is no doubt these foreign workers feel much more comfortable amongst people of their own nationality and the fact that there are so many of them in Singapore, there is no necessity for them to integrate socially with the locals. Differences in lifestyle, culture, interest and language problems are the main contributory factors which impede the social integration of foreign workers with the local community in Singapore.

9. CONCLUSION

There are economic benefits in having foreign labour in Singapore. It plays an important role in increasing the size and complementing the local workforce, increasing output capacity, lowering unit cost of production and thus improving Singapore's economic growth. However, these economic benefits should be weighed against the social costs, which include the increase in demand for housing, transport and health care services, the possible increase in crime rate and the adverse feelings of the local workers, especially during difficult times. Unemployed local workers tend to feel that the foreigners are displacing them or competing with them for jobs.

Hence, if the Japanese Government and policy makers decide to allow foreigners to work and live in the country, they will have to be prepared to take care of the above-mentioned problems and others which may arise as a result of the policy change.