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Foreign Labor in Singapore: Trends, Policies, Impacts, and Challenges

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Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Foreign Labor in Singapore: Trends, Policies, Impacts, and Challenges

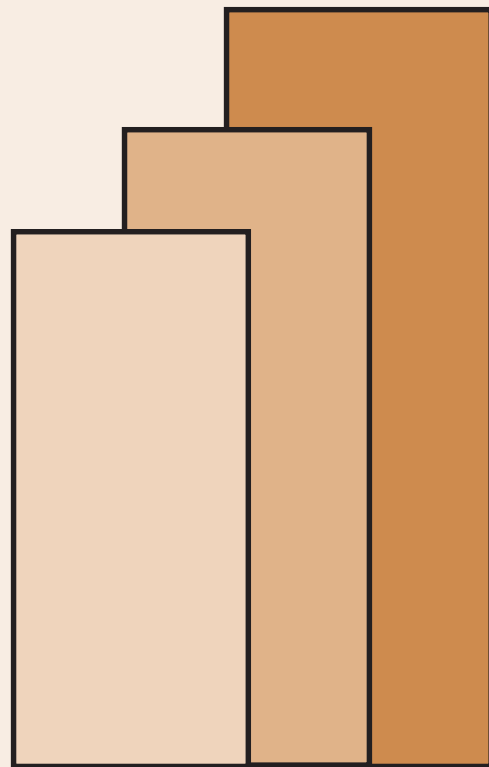
Chia Siow Yue

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Foreign Labour in Singapore: Trends, Policies, Impacts and Challenges

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Final Report to PIDS/IDRC
October 2011

Abstract:

Singapore has one of the most open economies in Asia in terms of trade, foreign direct investment inflows and foreign labour inflows. By 2010, citizens formed only 63.6% of the population and foreigners (not including permanent residents) form 34.7% of the labour force. This high foreign labour ratio reflects buoyant labour demand, limited domestic labour supply with declining total fertility rate, and the lack of xenophobia and labour protectionism. Foreign labour is needed to grow the population, mitigate population ageing, grow the GDP and per capita GDP, cover shortages in labour supply and skills, act as a cyclical buffer and contain wage costs to ensure international competitiveness. However, the heavy dependence on foreign labour has also delayed economic restructuring, adversely affected productivity performance, and engendered a FDW-dependency syndrome among households. The foreign labour policy is dual track, with unrestricted inflow of foreign talents and managed inflow of low-skilled labour through the use of work permits, worker levies, dependency ceilings, and educational and skills criteria. Going forward, Singapore has to limit its dependence on foreign labour to accelerate productivity growth and as it is constrained by physical space and citizen concerns over crowding out of jobs, public and recreational spaces, and public services. Greater bilateral and ASEAN cooperation is needed to mitigate the cross-border conflicts and tensions arising from the cross-border movement of labour.

Key words: foreign labour, foreign labour policy, domestic maids, brain gain

I. INTRODUCTION

Singapore is a densely populated city state with only 712 sq km of land and a population of 5.1 million. Despite a rapidly declining fertility rate (reaching 1.16 in 2010), the population had grown by 32.2% between the 1990 and 2000 population censuses and by a further 26.0% between the 2000 and 2010 population censuses, largely through immigration.

Through its policies emphasising economic openness and efficiency, human resource development, and sound economic management, Singapore has achieved robust economic growth since political independence in August 1965. By 2010 its per capita GDP has overtaken that of Japan. It is a multi-ethnic, multi-religious and multi-lingual society, with comparatively little evidence of xenophobia in the political, economic and social domains. On the political front, many of Singapore's political leaders were not Singapore-born. On the economic front, Singapore has one of the highest trade-orientation and foreign direct investment penetration rates in the world and there is no discriminatory treatment under Singapore law of foreign businesses and investors.¹ Foreigners also account for over one-third of Singapore's labour force, the highest ratio in Asia (except for very small economies with under 1 million population). On the social front, Singapore leaders repeatedly emphasize the crucial importance of inter-religious, inter-ethnic and social harmony. Singapore has four official languages (English, Chinese, Malay and Tamil), but English is the unifying language of business, government and tertiary education, creating a level playing field for all ethnic groups and giving Singapore an edge in internationalisation. The open policy of government and the largely open-mindedness of its people reflect Singapore's immigrant history and its role as a regional and global hub for services and transportation.

Singapore is a major receiving country of foreign labour in Southeast Asia. This study aims to highlight Singapore's unique acceptance of a large foreign population and labour force and answer the following questions, although lack of data in the public domain constrains efforts at quantitative analysis:

- Why is the Singapore economy so dependent on foreign labour? What are the other options available?
- What are the policies and measures in place to attract and manage the large presence of foreign labour in the economy?
- What are the economic impacts of such a large foreign labour presence -- on economic growth, industrial upgrading, labour productivity and the labour market? What are the social concerns of its citizenry over the large foreign labour presence?
- How has foreign labour (professionals, highly skilled, semi-skilled and low-skilled and irregulars) fared in Singapore? Are foreign workers protected under Singapore laws?
- What are the possibilities of regional and bilateral cooperation to resolve conflicts and problems?

After a brief introduction, Section II outlines the data sources and methodology. Section III discusses the demographic change and labour supply-demand balance, while Section IV profiles the foreign labour in Singapore. Section V discusses Singapore's foreign labor management policies followed by analysis of economic and social impacts in Section VI and the conclusion in Section VII.

¹ Several ASEAN countries have separate laws government foreign investment and "alien" employment and some, including the Philippines, have constitutional provisions that discriminate against foreign investors and workers.

II. DATA SOURCES AND METHODOLOGY

Data Sources

There is very limited data in the public domain on foreign labour in Singapore, as the government regards such data as “sensitive”. As a result, data for this study is gleaned from the following sources:

- Information on immigration, emigration and net migration can be estimated from data on population growth and natural increase that are published annually.
- Time series data on the Singapore population from the population censuses. These have to be read carefully as a change in the reporting convention was made after the 1990 census. Population census 2000 shows only characteristics of the resident population, hence it is not possible to separate the foreign population from the domestic population. Population census 2010 also covers only the resident population and excludes the large numbers of unskilled/semi-skilled temporary contract labour. However, the Monthly Digest of Statistics (May issue) contains tabulations on Singapore residents as well as non-residents from the 2000 and 2010 censuses.
- Annually published labour force statistics cover only the following --- trend in aggregate foreign labour since 1991 and their sectoral distribution. There are no data on source country, occupation or gender.
- Department of Statistics (DOS) has computations on combined contribution to GDP of foreign companies and foreign manpower. There is no published information on outward remittances, as they are not separately identified in the balance of payments tables.
- Ministry of Manpower (MOM) information on various permits and passes required for employment of foreign unskilled, semi-skilled and professional workers available on the MOM website. Numbers of various employment passes and work permits issued are not available.
- Occasional Ministerial and other official statements on policies and issues concerning foreign labour.
- Media and NGO reports related to foreign workers

Methodology for this Study

As foreign labour statistics are not available in the public domain, the analysis focuses less on the characteristics of foreign labour and more on foreign labour policy and qualitative analysis of impacts and concerns. Quantitative estimates are made of demographic and labour trends. Population censuses and labour force surveys are used to assess the stocks and characteristics of the foreign population and foreign labour force. Various official documents, speeches and websites are used to cull information on foreign labour policies to determine their rationale, characteristics and changes over time. Media and NGO and business reports are used to cull information on labour problems of firms, social problems and public attitudes to large presence of foreign labour, problems of social cohesion and cases of exploitation and redress.

III. DEMOGRAPHIC CHANGE AND LABOUR SUPPLY-DEMAND BALANCE

Background on Immigration

Immigration has been an important part of Singapore’s short demographic history and helped shaped the acceptance of substantial immigration in present times. Historically migration from China, India and the surrounding countries was the main contributor to population growth. The period of free immigration lasted over a century and ended when the British colonial government passed the 1928 Immigration Restriction Ordinance in response to slumps in the rubber and tin industries. Immigration flows stopped completely during the Japanese occupation of Singapore during World War II. A new immigration ordinance in 1953 admitted only those who could contribute to the social and economic development of Singapore, while migrants from the Federation of Malaya continued to have unrestricted entry.

In the first decade following political independence in 1965, strict controls initially were imposed on foreign unskilled workers in response to the high unemployment rate of around 10%. However, a decade later, after robust economic growth, the employment situation improved and labour shortage emerged. The foreign labour restrictions were relaxed and large numbers of unskilled workers in manufacturing, construction, and domestic service sectors came from “non-traditional sources” (that is, non-Malaysian) such as India, Bangladesh, Sri Lanka, Philippines and Thailand. Singapore also became an attractive destination for foreign professionals and skilled labour. As a result, Singapore citizens fell from 86.1% in the 1990 census to 74.1% in the 2000 census and further to 63.6% by the 2010 census, including a sizeable number of foreign professionals and skilled labour who had taken up Singapore citizenship through the decades.

Demographic, Labour Force and Employment Trends

The growing dependence on foreign labour reflects sustained rapid economic growth and consequent high demand for labour as well as the slow increase in domestic labour supply due to the declining fertility rate.

Table 1 shows Singapore’s population by residential status (citizens, permanent residents and non-residents) according to various censuses from 1970 to 2010. The intercensal average annual population growth rate rose from 1.5% in 1970-80 to 2.8% in 1990-2000 and declined to 1.8% in 2000-2010. The TFR (total fertility rate) has been declining from 3.07 in 1970 to reach an all-time low of 1.16 in 2010 and is expected to decline further. Population growth has increasingly been from immigration as seen by the growing share of non-citizens (permanent residents and non-residents) from 9.6% in 1970 to 36.4% or 1.8 million by 2010. In the 2000-2010 intercensal period, non-citizens accounted for 77% of the population growth. Reflecting the declining fertility rate of recent decades, the population has been ageing steadily and the proportion of the aged (age 65 and over) is expected to reach 20% of the total population by 2030.

Table 1: Population Growth Trends by Residential Status

Year	Total population	Singapore residents			Non-Residents
		Total	Citizens	Permanent residents	
Million					
1970 census	2.0745	2.0136	1.8748	0.1388	0.0609
1980 census	2.4139	2.2821	2.1943	0.0878	0.1318
1990 census	3.0471	2.7359	2.6237	0.1121	0.3113
2000 census	4.0279	3.2734	2.9859	0.2875	0.7545
2010 census	5.0767	3.7717	3.2307	0.5410	1.3050
Percent distribution					
1970 census	100.0	97.1	90.4	6.7	2.9
1980 census	100.0	94.5	90.9	3.6	5.5
1990 census	100.0	89.8	86.1	3.7	10.2
2000 census	100.0	81.3	74.1	7.1	18.7
2010 census	100.0	74.3	63.6	10.7	25.7
Absolute change (million)					
1980 census	0.3394	0.2685	0.3195	-0.0510	0.0709
1990 census	0.6332	0.4538	0.4294	0.0243	0.1795
2000 census	0.9808	0.5375	0.3622	0.1754	0.4432
2010 census	1.0488	0.4983	0.2448	0.2535	0.5505
Average annual growth rate (%)					
1980 census	1.5	1.3	1.6	-4.5	8.0

1990 census	2.3	1.7	1.7	2.3	9.0
2000 census	2.8	1.8	1.3	9.9	9.3
2004	1.3	1.4	0.8	6.5	0.7
2005	2.4	1.6	0.8	8.6	5.9
2006	3.2	1.7	0.9	8.1	9.7
2007	4.3	1.6	0.8	7.5	14.9
2008	5.5	1.7	1.0	6.5	19.0
2009	3.1	2.5	1.1	11.5	4.8
2010 census	1.8	1.0	0.9	1.5	4.1

Source: Singapore Department of Statistics, Yearbook of Statistics and Monthly Digest of Statistics

Table 2 shows projected resident population for Singapore from the 2005 base to 2050 by the Institute of Policy Studies (2011). There are 4 projected scenarios. Projection 1 assumes total fertility rate (TFR) remaining constant at 1.24 and zero net migration. Projection 2 also assumes constant TFR at 1.24 but with annual net migration of 30,000 persons. Projection 3 also assumes constant TFR at 1.24 but with annual net migration of 60,000 persons. Projection 4 assumes TFR rising to 1.85 by 2025 and zero net migration. Without immigration, the IPS study projects the Singapore resident population to peak at 3.68 million in 2020 and decline thereafter. If the TFR were to rise gradually to 1.85 by 2025 (an unlikely scenario), then the population will peak at 3.73 million in 2030. However, with constant TFR and an annual net migration of 30,000, the population will continue to grow annually and reach 4.89 million by 2050, and if the annual net migration were increased to 60,000, the population will grow to reach 6.76 million by 2050.

The persistent downtrend in TFR and its impact on the labour force is among the factors that account for the Singapore government's aggressive drive to increase inflows of foreign labour to top up the Singapore population. Theoretically, there is no single optimum population size for a country, as it depends on multiple factors including land size and spatial needs for various economic and social activities. In recent years, Singapore government planners floated the idea of an eventual population of 6.5 million. While the government has adopted measures to improve the TFR (so far without success), achieving the 6.5 million will have to depend on immigration. In August 2010 a new Population and Talent Division was established under the Prime Minister's Office to manage Singapore's immigration, talent and population policies. Prime Minister Lee said: "there are many pieces to this story of immigration and foreign workers and talent and competition...and we need to draw these threads together to manage them holistically"²

Table 2: Resident Population Projections

Years	Projected Resident Population million				Projected Working Age (15-64) million				Projected Elderly (65 & over)			
	P1	P2	P3	P4	P1	P2	P3	P4	P1	P2	P3	P4
2005	3.55	3.55	3.55	3.55	2.558	2.558	2.558	2.558	0.297	0.297	0.297	0.297
2010	3.62	3.78	3.94	3.62	2.680	2.793	2.904	2.680	0.349	0.350	0.350	0.349
2015	3.66	4.00	4.34	3.67	2.699	2.931	3.156	2.699	0.460	0.461	0.462	0.460
2020	3.68	4.21	4.74	3.70	2.623	2.981	3.332	2.623	0.602	0.604	0.606	0.602
2025	3.66	4.40	5.13	3.72	2.464	2.978	3.484	2.464	0.767	0.770	0.773	0.767
2030	3.62	4.56	5.50	3.73	2.281	2.967	3.646	2.291	0.917	0.924	0.931	0.917
2035	3.52	4.68	5.84	3.69	2.119	2.988	3.848	2.138	1.012	1.027	1.041	1.012
2040	3.37	4.77	6.16	3.60	1.963	3.013	4.054	2.018	1.071	1.102	1.133	1.071

² As reported in Business Times 30 August 2010.

2045	3.21	4.83	6.46	3.49	1.842	3.060	4.268	1.960	1.063	1.128	1.193	1.063
2050	3.03	4.89	6.76	3.37	1.734	3.100	4.454	1.908	1.018	1.143	1.269	1.018

Source: Institute of Policy Studies (2011), Scenarios of future population growth and change in Singapore

Notes:

Projection 1 (P1): TFR remains at 1.24 (2004 level) and zero net migration

Projection 2 (P2): TFR remains at 1.24 and 30,000 net migrants added annually

Projection 3 (P3): TFR remains at 1.24 and 60,000 net migrants added annually

Projection 4 (P4): TFR rises gradually to 1.85 by 2025 and zero net migration

Table 3: Projected Changing Age Structure of Resident Population

Years	0-14 age group				15-64 age group				65 & over age group			
	% of resident population				% of resident population				% of resident population			
	P1	P2	P3	P4	P1	P2	P3	P4	P1	P2	P3	P4
2005	19.7	19.7	19.7	19.7	72.0	72.0	72.0	72.0	8.4	8.4	8.4	8.4
2010	16.4	16.9	17.4	16.4	74.0	73.9	73.7	74.0	9.6	9.3	8.9	9.6
2015	13.7	15.2	16.6	13.9	73.7	73.3	72.8	73.5	12.6	11.5	10.7	12.5
2020	12.3	14.8	16.9	12.7	71.4	70.8	70.3	71.0	16.4	14.3	12.8	16.3
2025	11.9	14.8	17.1	13.2	67.2	67.7	67.9	66.2	20.9	17.5	15.1	20.6
2030	11.5	14.7	16.8	14.1	63.1	65.1	66.2	61.4	25.4	20.3	16.9	24.6
2035	10.9	14.2	16.3	14.6	60.3	63.8	65.9	57.9	28.8	21.9	17.8	27.4
2040	10.1	13.7	15.7	14.2	58.2	63.2	65.8	56.0	31.7	23.1	18.4	29.7
2045	9.4	13.4	15.4	13.4	57.5	63.3	66.1	56.2	33.1	23.3	18.5	30.5
2050	9.1	13.3	15.3	13.3	57.3	63.3	65.9	56.6	33.6	23.4	18.8	30.2

Source: Institute of Policy Studies (2011), Scenarios of future population growth and change in Singapore

Notes:

Projection 1 (P1): TFR remains at 1.24 (2004 level) and zero net migration

Projection 2 (P2): TFR remains at 1.24 and 30,000 net migrants added annually

Projection 3 (P3): TFR remains at 1.24 and 60,000 net migrants added annually

Projection 4 (P4): TFR rises gradually to 1.85 by 2025 and zero net migration

Singapore is in transition from demographic bonus to demographic onus with declining proportion of working age and rising proportion of elderly. As **Table 3** shows, the proportion of working age population (aged 15-64 years) will decline from 74.0% in 2010 to 63.1% by 2030 and 57.3% by 2050 with TFR constant at 1.24 and with zero net migration. Since the TFR declined to 1.16 in 2010 and could decline further, the proportion of working age population would decline even faster. The dependency burden (of the young and elderly) will rise rapidly, with a declining young dependency burden more than offset by a rising elderly dependency burden. The support ratio (defined as working age to elderly population) declined from 17.0 in 1970 to 8.2 by 2010 and, without net in-migration, will decline further to 2.5 by 2030 and 1.7 by 2050. An ageing population not only reduces the support ratio but increases social spending on healthcare.

Singapore's demand for migrant labour stems from short-term needs of the business cycle as well as longer-term needs of economic growth and restructuring. **Table 4** shows the Singapore labour force and employed as well as the unemployment rate by residential status for the period 1991-2010.

Table 4: Singapore- Resident and Foreign Labour Force and Employed

Year	Labour Force						
	Total thousand	Resident thousand	Foreign thousand	Foreign % of total	Resident growth %	Foreign growth %	
1991	1673.7	1372.9	300.8	18.0			
1992	1733.6	1409.9	323.7	18.7	2.7	7.6	
1993	1762.7	1421.7	341.0	19.3	0.8	5.3	
1994	1842.2	1456.1	386.1	21.0	2.4	13.2	
1996	2024.9	1511.5	513.4	25.4	3.8	33.0	
1997	2116.0	1538.3	577.7	27.3	1.8	12.5	
1998	2187.9	1546.5	641.4	29.3	0.5	11.0	
1999	2208.7	1595.9	612.8	27.7	3.2	-4.5	
2000							
2001	2330.5	1644.3	686.2	29.4	3.0	12.0	
2002	2320.6	1667.9	652.7	28.1	1.4	-4.9	
2003	2312.3	1706.4	605.9	26.2	2.3	-7.2	
2004	2341.9	1733.4	608.5	26.0	1.6	0.4	
2005							
2006	2594.1	1880.8	713.3	27.5	8.5	17.2	
2007	2750.5	1918.1	832.4	30.3			
2007 adjusted	2710.3	1878.0	832.3	30.7	-0.1	16.7	
2008	2939.9	1928.3	1011.6	34.4	2.7	21.5	
2009	3030.0	1985.7	1044.3	34.5	3.0	3.2	
2010	3135.9	2047.3	1088.6	34.7	3.1	4.2	
Compound growth rate %	3.36	2.13	7.00				
Year	Employed						Resident un- employment rate %
	Total thousand	Resident thousand	Foreign thousand	Foreign % of total	Resident growth %	Foreign growth %	
1991	1645.0	1345.0	300.0	18.2			2.0
1992	1692.1	1369.8	322.3	19.0	1.8	7.4	2.8
1993	1721.1	1381.6	339.5	19.7	0.9	5.3	2.8
1994	1801.2	1416.1	385.1	21.4	2.5	13.4	2.7
1996	1976.4	1464.8	511.6	25.9	3.4	32.8	3.1
1997	2075.8	1499.8	576.0	27.7	2.4	12.6	2.5
1998	2133.8	1493.8	640.0	30.0	-0.4	11.1	3.4
1999	2129.3	1518.3	611.0	28.7	1.6	-4.5	4.9
2000							
2001	2267.3	1582.5	684.8	30.2	4.2	12.1	3.8
2002	2223.2	1573.7	649.5	29.2	-0.6	-5.2	5.6
2003	2208.1	1605.4	602.7	27.3	2.0	-7.2	5.9
2004	2238.1	1632.1	606.0	27.1	1.7	0.5	5.8
2005							
2006	2505.8	1796.7	709.1	28.3	10.1	17.0	4.5
2007	2670.8	1842.1	828.7	31.0			4.0
2007 adjusted	2631.9	1803.2	828.7	31.5	0.4	16.9	4.0
2008	2858.1	1852.0	1006.1	35.2	2.7	21.4	4.0
2009	2905.9	1869.4	1036.5	35.7	0.9	3.0	5.9
2010	3047.2	1962.9	1084.3	35.6	5.0	4.6	4.1

Compound growth rate %	3.30	2.01	7.00
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Source: Singapore Yearbook of Manpower Statistics 2009; Report on Labour Force in Singapore 2010.

Note: Data for 2000 and 2005 not available as the Labor Force Survey was not conducted in these 2 years due to the conduct of the General Household Survey. To facilitate comparison with 2008, the 2007 Labor Force Survey data have been adjusted on the revised population estimates which exclude Singapore residents away from Singapore for a continuous period of 12 months or longer.

- The total labour force has grown at an annual rate of 3.4% during 1991-2010; the resident labour force at 2.1%, and the non-resident foreign labour force at 7.0%. The resident share of the labour force has been declining from 82% in 1991 to 65.3% by 2010, with citizens comprising only 58.3%. Growth of the non-resident foreign labour force shows an erratic trend reflecting business cycle effects and the balancing role of foreign labour in the labour demand-supply equation.
- Total employment has grown at annual rate of 3.4% during 1991-2010; resident employed at 2.0% and foreign non-resident at the much faster rate of 7.0%. The foreign share of total employment has been rising from 18.2% in 1991 to 35.6% in 2010. As with the growth of the non-resident foreign labour force, the growth of non-resident foreign employment has been erratic reflecting the business cycles. The number of foreigners working in Singapore fluctuated at around 600,000 in 1998-2004 before rising sharply to over 800,000 in 2007 and further to more than 1 million in 2008-2010. These figures on foreign workers do not include the growing number of foreigners who became permanent residents or citizens.
- The resident unemployment rate has risen from under 3% in the early 1990s to over 5.5% in the recession years of 2002-2004, and rose to 5.9% in the recession year of 2009. The citizen unemployment rate in 2009 was a high of 4.9%, helping to explain citizen concerns over foreigners taking away jobs. The foreign labour force showed double-digit growth in 1994-1998, 2001 and 2006-2008. The high inflow of foreign labour co-existing with rising resident unemployment rates in some years may be attributed to structural mis-matches in the labour market and the impact of the economic recession..

Policy measures to meet the general shortage of labour as well as specific skills shortages have targeted both supply and demand for labour. Measures to increase labour and skills supply include: encourage the economically inactive to enter the labour force; encourage a higher female labour force participation and the elderly labour force participation rate by extending the retirement age; expand education and training facilities and programmes to improve skills supply and encourage skills upgrading³; and encourage inflow of foreign labour to increase labour and skills supplies. Measures to reduce demand for low-skilled workers include: upgrading the economic structure away from labour-intensive activities and capping demand for foreign labour to pressure businesses into upgrading and automating their operations. These measures are further discussed in later sections.

IV. PROFILE OF FOREIGN LABOUR IN SINGAPORE

Country Sources of Foreign Labour

Singapore has a multi-racial population, and the government and public are concerned about maintaining the balance among Chinese, Malay, Indian and Others to maintain racial harmony.⁴ As a

³ Skills upgrading programmes of the Ministry of Manpower include the Singapore Workforce Skills Qualifications (WSQ) and the Skills Programme for Upgrading and Resilience (SPUR). WSQ is a national credentialing system developed and managed by the Singapore Workforce Development Agency and trains, develops, assesses and recognises individuals for competencies that companies are looking for. WSQ comprises industry sectoral frameworks which serve to professionalise the industry which lacked recognised Continuing Education and Training qualifications and enhance labour market flexibility and skills portability. SPUR is a programme to help companies and workers manage the economic downturn and invest in skills for the recovery.

⁴ The 2010 population census shows 74.1% Chinese, 13.4% Malays, 9.2% Indians and 3.3% Others. There were slight percentage increases in Indians and Others, with corresponding declines in Chinese and Malays.

result, foreign workers were restricted to sources that reflect the ethnic origin and composition of the population. Ethnic compatibility is important in a high-density city state, as presence of a large number of foreign workers whose culture and work ethos are noticeably different from the local population and workforce may create social problems. Hence, Singapore has a preference for some source countries in certain sectors of the economy like manufacturing, services or marine sectors. However, with globalisation and the growing need for talent, this has been relaxed somewhat and the proportion of Indians and “Others” among the resident population have increased since the 1990s.

Data on the number and country sources of Singapore’s foreign workers are not available in the public domain (considered by the government to be “sensitive”) and information had to be gleaned from various media sources, official speeches and parliamentary proceedings. Singapore has always welcomed professionals and entrepreneurs with industrial experience and capital, especially the highly qualified and/or wealthy from Malaysia, Indonesia and other Southeast Asian countries, Hong Kong, Taiwan and increasingly China, who were readily granted employment passes and permanent residence. In addition, skilled/professional workers also come from developed countries in Europe, North America, Australia-New Zealand and Japan and are commonly employed by MNCs in Singapore as well as in various services and professions in the private and public sectors. The existence of well established social clubs and international schools that cater to these different nationalities (Japanese, British, Dutch, Americans, Hong Kong etc) reflect their sizeable presence in Singapore.

Source countries of Singapore’s unskilled/semi-skilled work permit holders are largely from developing Asian countries with lower wages than Singapore, namely Malaysia, Non-Traditional Sources (Southeast Asian countries), North Asia (mainly China) and South Asia. Until the late 1970s, unskilled/semi-skilled workers were sourced mainly from neighbouring Malaysia because of geographic proximity, and shared history, culture, and common values. Many Malaysian workers reside in the Malaysian state of Johor bordering Singapore commute daily by train, bus, cars and motorbikes to work in Singapore. However, Malaysian workers became increasingly scarce with Malaysia’s own successful economic development. Hence Singapore turned to Non-Traditional Sources in ASEAN, as well as North Asia and South Asia. While the unskilled/semi-skilled from Malaysia are allowed to work in all sectors, worker from Non-Traditional Sources are generally allowed to work in construction and marine sectors and as domestic maids. PRC workers are not allowed to work as domestic maids. The preference is for domestic maids from ASEAN and increasingly from South Asia. On week-ends, foreign unskilled/semi-skilled workers congregate in “ethnic enclaves” in various parts of Singapore.⁵

Sectoral and Occupational Distributions

Table 5 from Yap (2010) shows the sectoral distribution of foreign workers for 1998-2009. The percentage share of manufacturing has been largely stable, while the shares of construction and services have been rising, in part reflecting the structural change in manufacturing out of labour intensive and into capital and technology intensive industries. On the other hand, the foreign labour ratio, as measured by the foreign/total share, has been rising for manufacturing and services and relatively stable for construction, which has highest the highest dependence on foreign labour.

Table 5: Distribution of Foreign Workers by Sector

	1998	1999	2000	2001	2002	2003
Sectoral distribution (%):						
All sectors	100	100	100	100	100	100

⁵ For example, Filipino workers are found mainly in the Orchard Road area, Thai workers in the Beach Road area and South Asian workers in Little India. Various retail services such as eateries, grocery shops and remittance shops have grown in these areas to serve these foreign workers.

Manufacturing	23	24	25	25	26	27
Construction	36	33	31	28	25	23
Services	40	42	44	47	48	50
Foreign share in sector (%):						
All sectors	30.8	30.1	30.9	30.9	29.2	28.1
Manufacturing	35.0	35.6	38.3	38.6	38.8	38.4
Construction	70.0	67.7	67.3	66.1	62.9	59.6
Services	19.7	19.9	20.9	21.7	20.8	20.3
	2004	2005	2006	2007	2008	2009
Sectoral distribution (%):						
All sectors	100	100	100	100	100	100
Manufacturing	29	30	31	30	28	25
Construction	21	21	20	21	24	26
Services	49	49	49	48	48	49
Foreign share in sector (%):						
All sectors	28.2	28.9	30.3	33.0	35.8	35.2
Manufacturing	40.5	42.1	44.6	48.1	50.6	48.4
Construction	58.7	59.3	60.4	64.4	69.3	69.9
Services	20.2	20.7	21.6	23.5	25.6	25.4

Source: Yap Mui Teng (2010)

The more detailed sectoral distribution of foreign labour available for 2008 is shown in **Table 6**. Of the 1.1 million foreign workers, 274.4 thousand (24.9%) were found in manufacturing, 254.5 thousand (23.1%) in construction, and 517.5 thousand (47.0%) in services including community and personal services, and trade. Dependency on foreign labour is highest in the construction sector (where 70.7% of workers are foreign), followed by manufacturing (46.8%), and services (over 30%).

Table 6: Employed Resident and Foreign Workers by Sector, 2008

	Total	Resident	Foreign	Foreign	Foreign
	Thousand	Thousand	thousand	% distrib.	% of total
Manufacturing	586.3	311.9	274.4	24.9	46.8
Construction	360.0	105.5	254.5	23.1	70.7
Trade	401.3	269.5	131.8	12.0	32.8
Transport & storage	197.7	182.4	15.3	1.4	7.7
Hotels & restaurants	179.0	120.0	59.0	5.4	33.0
Information & communications	85.1	87.0	-1.9	-0.2	-2.2
Financial services	160.6	123.6	37.0	3.4	23.0
Real estate & leasing services	68.4	43.0	25.4	2.3	37.1
Professional services	168.6	109.6	59.0	5.4	35.0
Administrative & support services	135.1	84.9	50.2	4.6	37.2
Community & personal services	590.2	391.9	198.3	18.0	33.6
Others	20.1	22.7	-2.6	-0.2	-12.9
Total	2952.4	1852.0	1100.4	100.0	37.3

Source: Singapore Yearbook of Manpower Statistics 2009

Note: "Foreign" is derived from total less resident and there were residual errors resulting in negative numbers

No data are published on the skills distribution of foreign workers in Singapore. The country has always welcomed skilled immigrants with industrial experience and capital and high net worth individuals who can be absorbed without much difficulty into Singapore society to compensate for

Singapore's relative lack of industrial entrepreneurs and industrial capitalists. With economic restructuring plans in 1979, the search for foreign skilled and professional migrants intensified. Immigration rules were liberalised to attract Hong Kong and PRC citizens in the aftermath of the 1989 Tiananmen Square incident. To help maintain Singapore's ethnic composition, immigration criteria were also liberalised to attract skilled South Asians and foreign ethnic Malay professionals. The welcome policy further intensified in the late 1990s with the roll-out of the Manpower 21 Plan which spelt out various initiatives to help Singapore achieve its vision of a knowledge-based economy. One target of the Plan is to enhance the work of *Contact Singapore* to attract more foreign talents. *Contact Singapore* provides information on career opportunities in Singapore and has offices in major cities in Canada, Australia, US, China, India and Europe.

No time series data are available on the skills distribution of foreign workers. Ad hoc data from the following sources show:

- To settle an academic debate that 61% of new jobs created in 2007 went to foreigners, the Ministry of Manpower (MOM) released on its website a more detailed breakdown of employment figures ---at end-2006 foreigners constituted 45% of the manufacturing workforce and 61% of the construction workforce.
- Chew and Chew (2008) reported that in 2008 there were about 110,000 skilled/professional employment pass holders and 645,000 unskilled/semi-skilled work permit holders (including 145,000 construction workers and 170,000 FDWs)
- In March 2010, Senior Parliamentary Secretary of the Ministry of Manpower reported in Parliament that there were 196,000 FDWs, amounting to 1 per 5 households.
- A Straits Times report (2 February 2010) noted that of the foreign labour, 856,000 or 82% were work permit holders, 115,000 were employment pass holders and 82,000 were S pass holders.
- A Straits Times report (19 March 2010) noted that there were 245,000 foreign workers in the construction sector.
- **Table 7**, culled from the Singapore Nursing Board annual reports, shows that foreign nurses and midwives accounted for about 25% of those in these professions and are mainly from Malaysia, Philippines, China, India and Myanmar. A Straits Times article (10 March 2010) reported that some 70-85% of staff in nursing homes are foreign, with most working as nursing aides and healthcare attendants.

Table 7: Foreign Registered Nurses, Enrolled Nurses and Registered Midwives

	2003	2004	2005	2006	2007	2008
Registered Nurses Total	13740	14171	14831	15452	16504	17881
Singaporean/permanent residents	10922	11443	12434	13437	14380	16038
Foreign	2818	2728	2397	2015	2124	1843
Malaysia	339	342	335	337	582	324
PRC	792	668	601	539	591	505
Philippines	1266	1253	1012	745	578	672
India	0	0	171	136	108	97
Myanmar	0	0	131	82	93	74
Others	0	0	147	176	172	171
% foreign	20.5	19.3	16.2	13.0	12.9	10.3
Enrolled Nurses Total	4652	4793	4989	5163	5604	6006
Singaporean/permanent residents	2845	3046	3445	4105	4340	4589
Foreign	1807	1747	1544	1058	1264	1417
Malaysia	72	58	49	43	53	40
PRC	123	121	115	78	133	120
Philippines	927	849	723	498	558	734
India	0	0	396	194	220	269
Myanmar	0	0	241	203	275	237

Others	0	0	20	42	25	17
% foreign	38.8	36.4	30.9	20.5	22.6	23.6
Registered Midwives Total	371	365	347	312	224	322
Singaporean/permanent residents	361	354	335	307	210	311
Foreign	10	11	12	5	14	11
Malaysia	8	8	6	4	4	3
PRC	0	0	0	0	0	0
Philippines	0	2	5	1	9	7
India	0	0	0	0	0	0
Myanmar	0	0	0	0	0	0
Others	2	1	1	0	1	1
% foreign	2.7	3.0	3.5	1.6	6.3	3.4
Total	18763	19329	20167	20927	22332	24209
Singaporean/permanent residents	14128	14843	16214	17849	18930	20938
Foreign	4635	4486	3953	3078	3402	3271
Malaysia	419	408	390	384	639	367
PRC	915	789	716	617	724	625
Philippines	2193	2104	1740	1244	1145	1413
India	0	0	567	330	328	366
Myanmar	0	0	372	285	368	311
Others	2	1	168	218	198	189
% foreign	24.7	23.2	19.6	14.7	15.2	13.5

Source: Singapore Nursing Board Annual Reports

V. FOREIGN LABOUR MANAGEMENT POLICIES

Evolution of Foreign Labour Policies

Singapore's immigration and foreign labour policies have evolved over recent decades in response to changing demand-supply conditions and policy priorities. Basically foreign labour is needed to meet the shortage of labour and skills arising from declining TFR and its impact on ageing and labour supply, rapidly changing economic structure, and the need to meet cyclical business demands and contain labour costs to maintain international competitiveness

Foreign labour management in Singapore can be divided into 4 distinct stages since 1965, each representing different policy objectives and fine-tuning.

- The first period from the late 1970s was characterised by severe labour shortage and large inflows of foreign labour from Malaysia. Work permits were introduced, accompanied by levies for foreign workers in the construction sector, and immigration was extended to non-traditional source countries. Permits were also extended to foreign domestic workers (FDWs) to facilitate female labour force participation. In general, permits for Malaysians were much less restrictive than for foreigners from other countries.
- The second period began in 1981 with a policy announcement that foreign workers were to be phased out completely by 1986 (except in construction, shipbuilding and domestic services) to incentivise businesses to restructure. But Singapore found it difficult to wean off dependence on foreign labour and the “no foreign labour” policy had to be abandoned. The government then followed with a series of measures:
 - Under the Employment of Foreign Workers Act, employers wishing to hire foreigners are required to apply for work permits, and violators are subject to fines and/or imprisonment. Rising labour demand was met by extending permits to migrants from a wider group of Asian countries. As the economy moves toward more technology-intensive industries, the booming construction

sector became the main absorber of foreign labour growth. When the economic recession hit, the foreign labour inflow was reversed.

- A comprehensive worker levy system was implemented in 1987 and dependency ceilings were introduced (foreign workers were limited to 50% of a firm's total employment). Levies were viewed as a flexible pricing mechanism to equalize the costs to employers of foreign and local labour. Levies were extended to Malaysians in 1989 and the dependency ceiling was lowered to 40%. The criteria for issuing employment passes and granting permanent resident status were liberalised in 1989, especially to attract Hong Kong residents in the wake of the Tiananmen Square crackdown in China.
- The third period in the 1990s was marked by robust economic growth and hence the strong demand for labour.
 - In response to employers' needs, foreign labour grew rapidly, facilitated in part by easing immigration restrictions ---dependency ceilings were raised to 45% in manufacturing and up to 5:1 ratio in construction sector; a 2-tier levy system was implemented in the manufacturing sector in which the quantum of the levy depended on the dependency ratio.
 - During the 1997-98 Asian financial crisis, there was no explicit mass repatriation of foreign workers. Instead, labour unions called for wage adjustments before undertaking retrenchments, with business costs reduced by eliminating the tax deduction for foreign worker contributions to the CPF. A tight permit allocation system and stricter enforcement measures were introduced in 1998 for the construction sector, in which permit entitlements were issued to main contractors. The main contractors were required to employ and house workers laid off and abandoned by sub-contractors. In March 1998 additional adjustments were made to encourage higher productivity in the construction sector through increases in the monthly levy on unskilled workers, (from \$440 to \$470) and sharp cuts in the levy on skilled workers (from \$200 to \$100); the widening disparity in levies between skilled and unskilled foreign workers is to incentivise employers to hire more foreign workers with skills.
 - The fourth period from 2009 heralded a more restrictive foreign labour policy in response to the 2009 recession and increasing unhappiness of citizens with the influx of permanent residents and foreign workers in 2006-2008. This policy change is discussed in greater detail in a later section.

Legal and Administrative Framework

The government introduced several legislations since the 1980s to manage and regulate the entry, employment, and departure of foreign labour. These include the Employment of Foreign Workers Act, Immigration Act, Employment Agencies Act, Employment of Foreign Workers (levy order), Employment of Foreign Workers (fees) regulation, Work Permit (exemption) (consolidation) notification.

The main government agencies involved are the Ministry of Home Affairs (MOHA) which exercises border controls under the Immigration and Checkpoint Authority (ICA), and the Ministry of Manpower (MOM) which issues work passes, enforces the regulations, and sees to the well being of foreign workers. Information regarding the different kinds of work permits and employment passes are available on the MOM website. There is extensive use of online information and applications resulting in transparency, efficiency and convenience. In January 2010, MOM launched the Employment Pass Services Centre (EPSC) to register and issue new Long Term Pass (LTP) cards to pass holders and their dependents, providing a seamless and convenient service upon their arrival in Singapore. Other agencies involved with managing and servicing foreign labour include the housing, physical planning and environmental authorities, the labour movement, and NGOs.

Visas, Work Permits and Employment Passes

Singapore provides largely visa-free entry for business and social visitors (except from certain specified countries), but have 3 types of visas for employment. First, semi-permanent residents with semi-permanent work passes who are allowed to take any job anywhere in Singapore (valid for 5 years); they can apply for citizenship and face no restrictions in the labour market and can bring their

families. Second, foreign professionals with employment passes which are issued only for specific jobs for a specific duration (valid for 1-5years); although tied to a specific company, such employment pass holders can easily get their employment passes extended. Third, short term contract workers are issued work permits usually valid for 2 years (with renewable possibilities). Before September 1998, foreigners working in Singapore were divided into 2 main categories --- employment pass holders (EP) who were skilled professional /managerial workers, and work permit holders (WP) who were low-skilled/unskilled migrant workers. Since then, a 3-tiered scheme, the S-Pass was introduced to enable employers to access middle-level talents such as specialised workers and technicians.

Foreign labour policies have been fine-tuned to include a mix of price (levy) and quantity (work passes and quotas) instruments as well as quality control (education/skills criteria). Issuance of work passes is adjusted depending on market demand. Employers are required to apply for work permits and employment passes; foreign worker levies are payable on work permit holders; quotas are imposed on firms employing foreign unskilled and semi-skilled workers; skills and education requirements are imposed on professionals and skilled manpower. Work permits are differentiated by skill level, sending country, permit duration, and sector of work and a variable levy is charged according to classification. The management of these different categories are analysed below.

Management of Foreign Skilled/Professional Labour

As noted earlier, Singapore has an open door policy for foreign skilled/professional labour (usually referred to as “foreign talent” in government speeches and in the media). Such persons are internationally mobile and keenly sought by many countries. Potential migrants consider, apart from the remuneration, the personal income tax regime, the quality of life, the amenities and the environment. Singapore competes aggressively with Hong Kong for these professionals. A perennial question for Singapore is whether its living environment and tax regime is as attractive as that of Hong Kong, particularly for finance-related professionals, as the 2 city-states compete as regional financial centres.

Traditionally most skilled and professional manpower are from the advanced industrial countries of US, Western Europe, Australia-New Zealand and Japan, reflecting the important role of intra-corporate transferees from the thousands of foreign MNCs based in Singapore. In upgrading towards a knowledge-based economy, Singapore needs a large and expanding pool of foreign talent, even though local talent is being developed with the rapid expansion and revamp of tertiary education and training institutes. Foreign talent is being recruited through liberalised immigration policies, easing requirements for permanent residence and citizenship, offer of scholarships and research fellowships at tertiary institutions, recruitment missions to the main centres of learning by government agencies, and improving the living and cultural attractions and tax regime for foreign expatriates. *Contact Singapore* was launched in 1997 by MOM, the *Singapore Talent Recruitment (STAR) Committee* was formed in November 1998, *Manpower 21* was launched in 1999 and *International Manpower Program* of EDB was formed to facilitate inflow of foreign talent.

(a) Types of Employment Passes

The Employment Passes (EP) for the skilled and professionals are defined by educational/skills qualifications and salaries (see **Table 8**).

Table 8: Different Eligibility Schemes for Employment Pass Holders (up to June 2010)

Type of pass	Eligibility - Factor One	Eligibility - Factor Two	Eligibility- Factor Three	Eligible for dependent's pass	Eligible for long-term social visit pass
P P1	Fixed monthly salary >S\$7,000	and Professional, Managerial, Executive, Specialist jobs		Yes	Yes

P2	Fixed monthly salary >S\$3,500	and Professional, Managerial, Executive, Specialist jobs	and recognized qualifications	Yes	Yes
Q	Q1 Fixed monthly salary >S\$2,500	and recognized qualifications	In lieu of recognized qualifications, may also consider compensatory factors such as skills and years of work experience	Yes	No
PEP	P1 pass holders			Yes	Yes
	P2 pass holders with at least 2 years working experience on a P pass	and earning a fixed annual salary of at least S\$30,000 in preceding year		Yes	Yes
	Q1 pass holders with at least 5 years working experience on a Q1 pass	and earning a fixed annual salary of at least S\$30,000 in preceding year		Yes	No
	Foreign graduates from tertiary institutions in Singapore with at least 2 years with at least 2 years working experience on a P or Q1 pass	and earning a fixed annual salary of at least S\$30,000 in preceding year		Yes	
S	S passes are for mid-level skilled foreigners with monthly salary of at least S\$1800	and degree or diploma level qualifications. Technical certificates can be considered		Yes, if monthly fixed salary is more than S\$2500	No

Source: Compiled from Ministry of Manpower website

Notes:

1. P passes are for foreigners who hold acceptable degrees, professional qualifications, or specialist skills and are seeking professional, administrative, executive or managerial jobs.
2. Dependent's passes are issued to the children (under age 21) and spouses of Employment Pass holders, entitling them to live in Singapore with the Employment Pass holder.
3. The Long-Term Social Visit Pass accords long-term visit entitlements to parents, parents-in-law, step-children, spouses, handicapped children, and unmarried daughters over age 21.

Employment passes are valid for up to 5 years and are renewable. There is no foreign worker levy or dependency ceiling quota as with work permit holders. They are also eligible to apply for dependent pass (DP) for spouse and unmarried children. Except for the Q and S pass holders, they may also apply for long term social visit pass (LTSVP) for parents, parents-in-law, step-children, spouse, handicapped children and unmarried daughters. Employment pass is also tied up with the specific employer, except for the new Personalized Employment Pass. Employment pass holders may apply to become Singapore permanent residents or citizens.

- **P passes** are issued to foreigners who hold professional qualifications and are generally issued to those with university degrees, or have skills and years of work experience. They are also issued on a case-by-case basis to investors and entrepreneurs who can contribute to the Singapore economy as well as to persons of exceptional ability in the arts, sciences and business. Up to 2010, **P1 passes** are issued to applicants with fixed monthly salaries of more than S\$7,000, while **P2 passes** are issued to those with fixed monthly salaries of S\$3,500-S\$7,000. **Q1 passes** are issued to foreigners of lesser but acceptable degrees, professional qualifications and specialist skills with lower fixed monthly salaries of over S\$2,500 but under S\$3500.

- **Personalized Employment Pass (PEP):** The PEP is not tied to any employer and holders can take on employment in any sector (with some exceptions) and do not need to re-apply for a new pass when changing jobs and can remain in Singapore for up to 6 months in between jobs. The PEP is non-renewable and is valid for 5 years and available for certain categories of P1, P2 and Q1 pass holders.
- **S pass** was introduced in 2004 for mid-level skilled foreigners whose monthly fixed salary is at least S\$1,800 (up to June 2010), with other criteria being education qualifications, skills and job type and work experience. The number of S-Pass holders a company can employ is capped at a Dependency Ceiling of 25% of the company's total workforce. S Pass applicants with fixed monthly salaries of more than S\$2500 per month may apply for Dependent Passes for their family members. As with employers of work permit holders, employers of S Pass holders must purchase medical insurance for their employees.
- In January 2008, 2 new categories were introduced for Professional Visit Passes (PVP) which is valid for 6 months. The original two groups cover professionals who possess specialised skills such as commissioning new equipments or are involved in business arbitration or mediation services. The new categories are Work Permit (Performance Artiste) which applies to foreign performers wanting to work at nightspots; and Miscellaneous Work Permit (MWP) that applies to key organisers of religious, ethnic and community gatherings and foreign journalists covering events.

(b) Availability of Permanent Residence and Citizenship

Permanent residence and citizenship have been granted to growing numbers of foreigners. Applicants for citizenship are limited to foreigners who are at least 21 years and have been PRs for at least 2–6 years immediately prior to the date of application. According to the immigration authorities, citizenship applicants must be “of good character”, intend to reside permanently in Singapore, and be able to support themselves and their dependents financially. However, many long-time PRs did not opt to take up Singapore citizenship, because Singapore does not allow dual citizenship and they stand to lose many PR benefits.

Only ad hoc information on the numbers of new citizens are available in the public domain. In the early 1990s, with the impending return of Hong Kong to Chinese rule resulting in an exodus of Hong Kong residents (mainly to North America), the government offered permanent residence (PR) status to 25,000 skilled workers from Hong Kong to entice them to settle in Singapore. However, the uptake was below government expectations. In 2005, nearly 13,000 people became new citizens. As shown in **Table 1**, the number of PRs grew by a sharp 11.5% in 2009.⁶ Responding to citizenry concerns, Deputy Prime Minister Wong Kang Seng reported ((Business times 5 March 2010) that the government would tighten the framework to raise the quality of immigrants in Singapore which could mean a reduction in the number of PRs awarded. By comparison with the number of new citizens and PRs, there were only 31,842 citizen births in 2009 In 2008 there were 79,200 PRs and 20,500 new citizens but in 2009 this fell to 59,500 PRs and 19,000 new citizens. In 2009, 58,923 PR applications were rejected and this rose to 68,143 in 2010.

Management of Unskilled/Semi-Skilled Foreign Labour

Since 1968 unskilled/semi-skilled foreigners have been allowed into Singapore for employment. Their numbers have grown as a result of the growing labour shortage as well as the attraction of Singapore's higher wages. Their growing presence in Singapore is due to rapid economic growth on the demand side and declining TFR and rising educational attainment of Singaporeans on the supply side. Further, with growing affluence and more employment opportunities available, even the lowly-educated Singaporeans are increasingly averse to manual jobs that are considered “3D” that is, dirty, dangerous and de-meaning. Employers charge that local workers are too fussy and turn their backs on

⁶ There are various PR schemes in Singapore. The Professionals/Technical and Skilled Worker (PTS) scheme is for foreign professionals who are working in Singapore at the time of applying for Singapore PR and must have stayed and worked in Singapore for at least 6 months. The scheme for Capital Investors require an investor to invest at least S\$2.5 million in a new business start-up or expansion of an existing business operation, or invest at least S\$2.5 million in a GIP-approved fund. The scheme for Foreign Artistic Talent is aimed at attracting artistic talents to promote Singapore as an arts hub. The Landed Permanent Residence scheme is aimed at individuals with top notch education or professional background.

jobs requiring shift and weekend work and snub the lowly-paid retail sector. On the other hand, Singaporean workers have contended that the wages offered was below what is a living wage and transportation costs to the workplace. It is noted that there is no minimum wage in Singapore.

In the late 1960s immigration policies were liberalised towards unskilled/semi-skilled foreign workers through temporary work permits. Administrative controls were relaxed during periods of economic boom (1968-73, 1981-84, first half of 1990s and more recently in 2007-8) to meet labour shortages, and the tap was tightened during periods of economic downturn (in the 1970s, parts of the 1980s, the later parts of 1990s and the first few years of the new millennium and 2009-2010). Their presence in Singapore has persisted for various reasons. First, although skills are increasingly demanded as the Singapore economy restructures, there is complementary demand for foreign low-wage service workers such as clerks, drivers, delivery personnel, cleaners and maintenance workers to contain business costs and keep Singapore economically competitive. Second, demand for homecare and healthcare services have grown due to the personal needs and lifestyle of the increasingly affluent middle class and the ageing population, while growing female labour force participation raise the demand for foreign domestic workers (FDWs). Third, with better education and growing affluence, local workers appear unwilling to perform low-paid service work and manual work in the booming construction and shipyard sectors.

While government policy towards “foreign talent” is open-arm, the policy towards low-skilled foreign labour is one of trying to control the dependence on them through work permits levies, dependency ceilings and qualifications criteria. The use of work permit quotas and levies are aimed at controlling the number of foreign workers but these have had to be revised upwards many times, suggesting that they have not been as effective as expected. Worker levies narrow the gap between domestic wage levels and the foreign workers’ reservation wage and thus serves to protect jobs for Singaporean workers. The use of levies has been argued as allowing greater flexibility than quotas alone as employers who need more foreign workers can obtain more workers by paying a higher levy.⁷

Table 9: Work Permit, Worker Levy, and Dependency Ceiling for Unskilled/Semi-Skilled Foreign Workers (up to June 2010)

Permit/category of foreign worker	Sector	Dependency Ceiling	Monthly levy S\$
R1:skilled worker R2: unskilled worker	Manufacturing	Up to 40% of total workforce	Skilled = 150 Unskilled =240
		Above 40% to 55% of total workforce	Skilled = 150; Unskilled =280
		Above 55% to 65% of total workforce	Skilled/Unskilled =450
	Construction	1 local full-time worker to 7 foreign workers	Experienced and exempted from MYE = 300 Unskilled = 470
Marine	1 local full-time worker to 5 foreign workers	Skilled = 100; Unskilled =295	
Process	1 local full-time worker to 7 foreign workers	Experienced and exempted from MYE = 300 Unskilled = 300	
Services	Up to 30% of total workforce	Skilled = 150; Unskilled =240	

⁷ The rationale for not being too tight on controls was offered by then Manpower Minister Ng Eng Hen who argued that if controls were too tight, it might choke growth and drive investments to competing destinations, while ensuring that companies meet their manpower needs would translate into greater opportunities and benefits for Singapore and Singaporeans.

		Above 30% to 40% of total workforce	Skilled/Unskilled =280
		Above 40% to 50% of total workforce	Skilled/Unskilled =450
R2: domestic worker	Domestic	Not applicable	Normal rate = 265 Concessionary rate =170

Source: Compiled from Ministry of Manpower website

Notes:

Skilled workers in the categories of "above 55% to 65%" of total workforce in Manufacturing Sector and "above 30% to 50% of total workforce in Service Sector are not eligible for skilled levy rates.

An employer of a foreign domestic worker is eligible for the concessionary levy for each worker if he/she satisfies certain conditions

- (i) the employer/spouse has a child/grandchild who is a Singapore citizen below 12 years; or
- (ii) the employer/co-residing spouse is a Singapore citizen who is aged 65 or above; or
- (iii) the employer/spouse is a Singapore citizen and the other party is a Singapore PR aged 65 or above and is living together at the same registered address as in NRIC;
- (iv) the employer/spouse has a parent, parent-in-law, grandparent or grandparent-in-law who is a Singapore citizen aged 65 or above and living together at the same registered address as in NRIC;
- (v) From 15 Sep 1997, the levy concession is extended to employers with disability or who have family members with disability and require caregiver assistance.

Work permit: Employers are allowed to apply for work permits for foreign workers earning less than S\$1800 a month (up to June 2010). A work permit is issued initially for 2 years and can normally be renewed up to 6 years. There are 2 categories of work permits ---RI Pass is for the semi-skilled with at least SPM qualification or equivalent, or NTC Grade 3 (Practical) or other suitable qualifications, while R2 Pass is for the unskilled. Work permit holders cannot change employers or occupation, cannot bring their families, and cannot marry Singapore citizens or PRs. Termination of employment results in the immediate termination of the work permit.

Worker levy: First introduced in 1980, it has been fine-tuned over time to meet changing market conditions. Initially a flat levy of S\$230 was imposed on non-Malaysian workers employed in the construction sector. In 1982 the levy scheme was expanded to include all non-traditional source workers and Malaysian block permit construction workers. Since 1992, a 2-tier levy has been introduced ---the levy for skilled worker (R1) is lower than that for the unskilled worker (R2). The monthly foreign worker levy can range from S\$100 to S\$470, depending on the state of the economy, the economic sectors, the skills of the foreign workers, and the dependency ratio of the companies concerned. If foreign workers are unskilled and the companies concerned have a high dependency ratio of foreign workers, the foreign worker levy will be at maximum end.

Dependency ceiling: The proportion of foreign workers a firm can employ in relation to its total workforce was introduced in 1987 as another instrument to regulate the employment of foreign workers. All sectors have dependency ceilings except for FDWs. The purpose is to minimize the preference of employers for the lower-wage foreign workers. The dependency ceiling is sector-specific and firm-specific and can range from 10% to 80%. For example, in the manufacturing sector, employers can have 40% of the workforce on work permits, subject to a maximum ceiling of 65%. The worker levy rises with the firm's dependency ceiling. Across sectors, the dependency ceiling is highest for the construction and process sectors (7 foreign:1 local worker) and lowest in the services. The higher dependency ceiling for the construction sector reflects the difficulty of recruiting local workers. Employers that exceeded the dependency ceiling have to pay a higher levy as a disincentive. The dependency ceiling has been adjusted over time to meet changing economic conditions. For example, in November 1988, the government lowered the dependency ceiling from 50% to 40%. Likewise, with a tightening labour market, the government raised the manufacturing sector's dependency ceiling from 50% to 60% and the services dependency ceiling from 30% to 40% in July 2005.

Man-Year Entitlement (MYE): Since April 1998, the Man-Year-Entitlement (MYE) allocation system has been introduced for construction workers as a work permit allocation system for workers from non-traditional sources and China. The number of foreign workers permitted to work in any construction project is determined by the MYE allocation formula. Only the main contractor can apply for MYE and all sub-contractors obtain their MYE allocation from their main contractor. MYEs are then converted into 1-2 year work permits. For example, if the main contractor's MYE entitlement is 100 man-years, he may have 100 men on 1-year contracts or 50 men on 2-year contracts. The system is designed to give the main contractors better control over allocation of foreign workers and greater responsibilities toward foreign worker management by their subcontractors.

Skills Qualifications and Age Criteria: Skilled work permit holders (R1 work passes) are those who possess the relevant academic or skills-based text qualifications and certificates and they are subject to a lower worker levy than those without. The Basic Skills Certificate (BSC) and Skills Evaluation Certificate (SEC) schemes were implemented in 1998 to raise the skill level of the construction workforce and are issued to non-traditional source workers who have passed the required skill tests in their home country. The scheme sets a basic skills standard (BSC) as an entry criterion. If the worker has obtained only the BSC he will not be allowed to work for more than a cumulative period of 4 years. If the worker has obtained the SEC he is liable for a lower worker levy and can work up to 15 years. Skills upgrading is available for unskilled workers in different sectors. All foreign workers in Singapore must conform to the Employment Act minimum age of 16 years for employment. Skills qualifications have also been introduced for FDWs, hitherto without qualifications needed. They have to produce recognised educational certificates as documentary proof that they have a minimum of 8 years of formal education and are required to pass a written test upon arrival in Singapore, with failure resulting in repatriation. More recently, efforts were directed at improving the skill levels of FDWs, particularly in areas such as elderly care. The media has reported on cases of under-aged FDWs who falsely declared their age in order to gain employment in Singapore and suffer from psychological adjustment problems..

New Foreign Labour Policies Announced in 2009-2011

Singaporeans are, by and large, less xenophobic than citizens of many other countries and there is inter-ethnic and inter-religious acceptance and harmony. However, the large influx of foreigners in the last decade (particularly 2006-2008) has unsettled some Singaporeans. The economic slowdown during 2008H2-2009 led to rising domestic unemployment (particularly of white collar workers). Employment of foreign workers (excluding PRs) grew by 21.4% while that of residents (citizens and PRs) grew by only 2.7% in 2008 and the unemployment rate of citizens rose to 4.9% by 2009. The "social discontent" became more vocal when white-collar Singaporean workers were retrenched in the 2009 recession and had difficulties in finding alternative employment, while foreign white-collar workers continued to be highly visible. There were heightened perceptions of foreigners crowding out public recreational spaces and public services such as bus and MRT transportation and health services and contributing to escalating housing prices. The discontent over crowding out by foreigners is as much an issue of accelerated demand for public services due to the influx of foreigners as it is an issue of inadequate provision of these services.

Prime Minister Lee Hsien Loong announced in August 2009 that the government would slow the pace of its intake of foreigners, citing physical and social constraints. Foreign workers would be maintained at about 30% of the workforce. Again in his 2010 New Year Message PM Lee announced that the government would "manage and moderate" the inflow of foreign workers so that Singaporeans are not overwhelmed by the sheer numbers. In his Chinese New Year message on 13 February 2010 PM Lee further stated that Singapore has reached a turning point in its economic development and must work smart to transform its economy. Singapore needs to redouble efforts to boost productivity growth over the next 10 years from the current annual 1% year to an annual 2-3%, so as to sustain annual GDP growth of 3-5% over the next decade. Due to space constraints, Singapore could not continue to import foreign workers as liberally as before.

The Economic Strategies Committee (ESC) report⁸ released in February 2010 laid out the twin aims of high-quality growth and increased productivity for Singapore. One way to achieve higher productivity would be to raise foreign worker levies to incentivise bosses to get their existing staff to work smarter, improve their skills and to rely more on technology and innovation. It cautioned that the levy changes should be done progressively to give companies time to adjust. Amidst growing concerns by employers, then Minister for Manpower, Gan Kim Yong (Business Times, 3 February 2010) clarified that the ESC was recommending a gradual increase in foreign worker levy to make foreign workers more expensive for employers and not recommending a cut in foreign worker numbers, and foreigners would continue to account for one-third of Singapore's workforce, with some flexibility to take account of booms and recessions

Then Finance Minister Tharman Shanmugaratnam announced during the February 2010 Budget Speech that foreign worker levies for Work Permit and S Pass holders would be raised to get businesses to restructure and upgrade their operations and rely less on low-skilled foreign labour. (see **Table 10**). The changes will start on 1 July 2010 with a modest increase in levy rates of S\$10-S\$30 for most Work Permit holders, with further adjustments in levy rates in 2011 and 2012. Together the 3-year increase in levies per worker in manufacturing and services would average about S\$100. The construction sector, where there is much scope for productivity improvements, will see a larger levy increase. S Pass workers will have two levy tiers set at \$100 and S\$120 in July 2010, up from a single rate of \$50, and further adjustments will be phased in until the rates reach S\$150 and S\$250 by July 2012. Overall dependency ceiling remains unchanged to allow for some flexibility for employers who are faced with genuine needs for foreign workers. The proposed increase in worker levy has engendered an active post-budget debate among parliamentarians and the business community, as reported in the news media:

- Many parliamentarians were concerned that the move to raise the foreign worker levy would push up costs and deter foreign investments ---“If we do not have enough manpower and other resources to take up new orders, we may lose our customers and business opportunities to our competitors very quickly.” Others thought higher levies would not be enough to deter bosses from hiring foreign workers --- “The foreign worker levy has become an opium for the government and business.” The “government should just use the dependency ratio to control the growth of foreign workers in Singapore and the ratio can be refined according to industry sectors and the size of the company to allow foreign workers to supplement local manpower when necessary.”
- In the construction industry, the Singapore Contractors Association noted: “If you do it immediately, it's going to be detrimental to current business. Large projects last between two and three years. So if higher charges kick in immediately, it will affect existing work.” Bosses conceded that productivity improvements are possible ---Straits Construction suggested that the building industry could probably look at pre-cast construction as one way to improve productivity. The Singapore International Chamber of Commerce noted that even construction of smaller projects will involve mixing cement on site which is a labor-intensive task. However, many foreign construction firms use pre-cast methods, meaning the product has been manufactured off-site, a process that requires far fewer workers.
- The reaction is more mixed in manufacturing. The Singapore Manufacturers' Federation noted: “We hope that the productivity fund will be in place for a few months so that we can see the impact on production costs. Hopefully, that will offset the rise in the levies.” Many MNCs do try to raise productivity so any increase in worker levy would spur them to speed up changes. But corporate chiefs warned that larger companies will find it easier to adapt to the higher worker levies, but smaller firms could be forced out of the industry and out of Singapore altogether. Ultimately, most industry players agreed that raising productivity is worthwhile in the long term. The Singapore Indian Chamber of Commerce and Industry noted: “In the initial phase, some companies may find it difficult to restructure their operations, particularly those that are largely

⁸ The Economic Strategies Committee was set up by the government in 2009 to study the long-term economic transformation of Singapore and was headed by then Finance Minister Tharman Shanmugaratnam.

reliant on foreign labour. However, in the long run, the proposals will help them increase their productivity, and develop and expand their business”.

The general view is that the hike in the foreign worker levy is unlikely to induce firms to relocate their labour-intensive operations to cheaper overseas locations. Industry watchers and economists (as reported in Business Times, 1 March 2010) cite several factors that should deter an exodus of jobs overseas. First, the three-year implementation period will give firms adequate time to adjust, while government grants to boost productivity will also help offset the levy's impact. Second, manufacturing firms dependent on weak markets in Europe, the United States and Japan could be hardest hit, but a firms that are sufficiently profitable would have an adequate buffer to reduce the pain of the levy hikes as labour is only one cost component and business opportunities matter. Third, apart from the construction and marine industries, most companies have yet to hit their dependency ceilings and so would not be largely affected by the levy increase. The three-year implementation also means that most companies can make strategic adjustments to mitigate the increased cost. Even if a company decides to relocate out of Singapore, it would likely be the operation that employs foreign workers that goes. Fourth, instead of relocating abroad, companies could take advantage of the various government schemes to increase productivity and increasingly automate processes to reduce their foreign worker dependence.

Table 10: Worker Levy Changes announced in February 2010

Existing levies		With dependency ceilings at		
		40%=>	55%=>	65%
		Skilled S\$150	S\$150	
	Unskilled	S\$240	S\$280	S\$450
New levies on 1 July 2010		With dependency ceilings at		
		35%=>	55%=>	65%
		Skilled S\$160	S\$180	
	Unskilled	S\$260	S\$280	S\$450
New levies on 1 July 2011		With dependency ceilings at		
		30%=>	50%=>	65%
		Skilled S\$180	S\$240	
	Unskilled	S\$280	S\$340	S\$450
New levies on 1 July 2012		With dependency ceilings at		
		25%	50%=>	65%
		Skilled S\$200	S\$300	
	Unskilled	S\$300	S\$400	S\$450

Source: Compiled from Ministry of Manpower website

Note: 65% is the maximum dependency ceiling for a company.

After the May 2011 General Elections⁹ the government announced a major review of various government policies that had triggered voters' unhappiness, including that on immigration.¹⁰ The President's Address at the opening of the new parliament in October 2011 highlighted the issues and policy responses while the Ministry of Manpower (MOM) Addendum to the President's Speech

⁹ It was a watershed election, with the ruling political party losing 6 of the 87 parliamentary seats and its popular vote reduced to 60.1% as a result of voter discontent with various issues including rising housing prices, overcrowding in public transport and healthcare services.

¹⁰ Speech by PM Lee Hsien Loong at the Swearing-In Ceremony held on 21 May 2011. The policy responses focus not only on slowing down immigration already agreed upon in 2010 but also improving citizens' access to public transportation and healthcare services and a review of political salaries.

addressed issues specifically pertaining to the Singaporean workforce and foreign labour. The various policy responses to the issue of foreign labour and its impacts are summarized below.

- **Balancing the need for foreign labour and the aspirations and concerns of Singaporeans:** The government must tread a fine balance in manpower policies of maintaining a welcome to foreign businesses and talents to create and sustain good jobs and at the same time meeting the rising aspirations and capabilities of Singaporeans. The foreign workforce will be kept at no higher than one-third in the long term because of social, economic, physical and infrastructural constraints. The government had begun to tighten the growth in foreign workers in June 2009, using a combination of increasing levies, tightening entry and qualifications criteria and increasing qualifying salaries. At employment pass (EP) level, qualifying salaries were raised in July 2011; and will be raised further in January 2012, with applicants subject to better educational qualifications and higher qualifying salaries.
- **Accessing public services and housing:** A new policy removed foreigners from entitlement to medical subsidies, and reduced subsidies for PRs. Education fees were also increased for foreigners and PRs. The government and employers are also providing alternative housing and recreational facilities for foreign workers. To reduce the crowding out effect of foreigners on public services such as public transport, healthcare and housing, these will be expanded; the new ministers in charge of public housing, transportation and healthcare have since announced measures to improve these services. Also, the government is tightening foreign ownership of landed property. Amendments to the Residential Property Act, implemented in January 2011, impose tighter restrictions ---less than half of those who had previously qualified would qualify now; and those who renounce their citizenship/PR are to sell their restricted residential properties within 2 years.
- **Supplementing incomes of low-wage Singaporeans:** Low-skilled and low-wage Singaporeans are faced with marginalization and retrenchment from economic restructuring and wage depression and job competition from foreign workers. The Workfare Income Supplement (WIS) scheme was introduced to supplement the wages and CPF savings of older low-wage Singaporean workers as well as to encourage them to stay employed. With effect from 2010, the WIS has been revised, ranging from \$360 for average monthly wage for the work year of \$200 for workers in the 35-44 age group to a maximum of \$2,800 for average monthly wage for the work year of \$1000 for workers in the 60& above age group. The maximum payment for WIS has been raised from \$2,400 to \$2,800 to encourage older low-wage workers to seek and to remain in employment, while the maximum qualifying average monthly income is raised from \$1500 to \$1,700. In addition, the Workfare Training Scheme (WTS) has been introduced to help low-wage workers train and upgrade. The government has also pledged to raise Singaporeans' median monthly income by 30% in real terms (giving a CAGR of 2.66%) as compared to 11% in 2001-2010.
- **Helping businesses adjust to tight labour market:** A \$2 billion National Productivity Fund will help industries implement specific roadmaps to improve productivity through market and business development, automation, better use of IT, job and process re-design and training. To address the concerns of SMEs, the government has introduced specific initiatives to help SMEs re-engineer their operations and reduce their reliance on labour, such as the SME Productivity Roadmap (SME-PRO) that provides a systematic 3-step approach for SMEs to improve their productivity. Also, a dedicated portal will provide SMEs access to information and resources to help them take concrete actions to raise productivity. A Singapore International Chamber of Commerce (SICC) Survey found access to foreign talent is a key factor for employers in their decision to establish or expand operations in Singapore. While they prefer hiring Singaporeans, they often find it challenging to recruit and retain them. The Singapore National Employers Federation (SNEF) noted that the number of Singaporean applicants are lacking for some jobs and industries such as construction, food and beverages, and retail; while employers can do more to improve efforts to attract and recruit Singaporeans, imposing more administrative and control measures for hiring foreigners will undermine labour market flexibility and ease of doing business in Singapore.
- **Helping the Singaporean workforce:** Many parliamentarians called for greater support for low-wage workers, women as well as PMETs (professionals, managers, executives and technicians) to secure jobs. The Continuing Education and Training (CET) system will be strengthened to ensure

Singaporeans' skills remain current and lay the foundation for further career progression. The NTUC (National Trades Union Congress) stressed the importance of not letting cheaper foreigners undercut and lower wages of Singaporeans. It said Singapore should put in effort to attract, retain and nurture Singaporeans in all sectors of the economy and at all levels to ensure a Singaporean core in both existing and new industries. NTUC is of the view that more control measures are necessary in ensuring Singaporeans are given fair employment opportunities.

- Tightening the requirements for employment passes: In August 2011 MOM announced changes to the Employment Pass framework to take effect in January 2012, as shown in **Table 11**. It tightens the eligibility requirements for foreigners entering the lower and mid-level professional and skilled jobs. The tighter employment passes are aimed at ensuring that Singaporean workers are not disadvantaged compared with a foreign worker who may be cheaper to employ. There will be no change in the qualifying salary for P1 pass holders. For P2 pass holder, the qualifying salary will be raised from S\$4000 to S\$4500. The major change is in Q1 pass holders ---qualifying salary raised to at least S\$3000 and also look at qualification and experience. Existing pass holders will be phased into the new requirements over the next 1-2 years to give businesses time to make necessary adjustments.

Table 11: Employment Pass Changes Announced in August 2011

Pass type	Type of applicants	Examples of eligibility criteria
P1 Employment pass	Professional, managerial, executive or specialist jobs	Fixed monthly salary \geq S\$8000
P2 Employment pass	Professional, managerial, executive or specialist jobs	Fixed monthly salary \geq S\$4500; possesses recognised qualifications
Q1 Employment pass	Professional, managerial, executive or specialist jobs	Fixed monthly salary \geq S\$3000; possesses recognised qualifications; in lieu of recognised qualifications, compensatory factors such as skills and years of experience may also be considered

V. RATIONALE AND IMPACTS OF FOREIGN LABOUR IN SINGAPORE

As discussed earlier, Singapore needs immigration to grow its population and mitigate the rapid population ageing. These and other rationale for foreign labour are summarised below.

Table 12: Rationale for Singapore's Immigration and Foreign Labour Policies

1. To grow the Singapore population beyond the size determined by a declining TFR
2. To mitigate the rapid population ageing and its impacts on reduced economic dynamism and rising healthcare expenditures
3. To grow the labour supply and skills, so as not to constrain economic growth and economic restructuring
4. To grow the GDP and per capita GDP of Singaporeans
5. To act as buffer during business cycles
6. To contain rising wage cost for businesses
7. To fill vacancies in 3D jobs

The impacts of foreign workers on various Singapore stakeholders are shown below:

Table 13: Foreign Labour and Singapore Stakeholder Interests

Stakeholders	Positive Impact	Negative Impact
Singapore economy	Skilled labour accelerate economic restructuring; enables higher GDP growth; enables innovation & entrepreneurship	Unskilled labour delays economic restructuring and results in lower productivity performance
Singapore government	Improved economic performance; improved government revenue from taxes and levies	Increased government expenditures on public infrastructure and services
Singapore business sector	Availability of skilled and low-skilled labour; lower labour cost	Delays business operations upgrading with negative productivity impact
Singaporean labour	Complements to foreign labour gain from employment opportunities	Substitutes to foreign labour lose from competition and wage suppression
Singaporean households and public	Quality of life improves with better retail/healthcare services and FDWs; lower cost of housing and medical and transportation costs	Quality of life declines with crowding out of public spaces and public services

Foreign Labour as Supplement, Complement and Substitute

Buoyant economic growth and consequent demand for labour, together with the slow growth in citizen labour supply have increased Singapore's dependence on non-citizen labour. Measures to reduce demand for labour could include: upgrade the economic structure away from labour intensive activities; pressure businesses to adopt labour-saving operations and improve productivity performance. Measures to increase supply of labour could include: increase the labour force participation rates of females and elderly; continue inflow of foreign labour. Measures to increase supply of skills could include: further expansion of post-secondary and tertiary education; further expansion of training facilities and programmes to upgrade those already in the labour market; inflow of foreign talent. Increasing the inflow of foreign labour should focus increasingly on foreign talent which can help Singapore improve productivity performance.

Table 14 shows the educational attainment of Singapore's resident population (that is, citizens and permanent residents) by age groups from the 2010 population census. The highly unsatisfactory educational attainment of the age groups 45 and above reflects the inadequate investments in post-secondary and tertiary education in the 1960s-1970s. Emphasis on diploma and university education in later decades supplemented by inflows of foreign talents (who subsequently became citizens and PRs) is reflected in the 70.7% in the age group 25-34 years and 52.4% in the age group 55 & over with diploma/university qualifications. **Table 15** shows the educational attainment of employed Singaporeans. Since 2001, there has been dramatic improvement in the educational attainment of the citizenry workforce, with the diploma/degree holders rising from 27.7% to 40.9% and the share of PMETs (professionals, managers, executives and technicians) rising from 42.2% to 48.7%.

Table 14: Residents Aged 15 & Over by Qualifications Attained, 2010

Qualifications	Total	Percent distribution			
		25-34 yrs	35-44 yrs	45-54yrs	55&over yrs
Below secondary	42.6	6.1	16.4	37.4	65.6
Secondary	24.6	12.4	19.3	26.8	17.2
Post-secondary	9.9	10.7	12.0	10.2	6.2
Diploma	11.1	24.2	17.8	10.1	4.8
University	11.7	46.5	34.6	15.4	6.1
Total	100.0	100.0	100.0	100.0	100.0

Source: Singapore Population Census 2010 report

Table 15: Employed Citizens by Education, 2001 and 2010

	% Distribution	
	2001	2010
Education:		
Below Secondary	34.3	24.3
Secondary	29.0	21.8
Post-Secondary	9.3	12.9
Diploma/professional	13.3	18.0
Degree	14.4	22.9
Total	100.0	100.0
Occupation:		
PMETs	42.2	48.7
Non-PMETs	57.8	51.3
Total	100.0	100.0

Source: DOS Oct 2011, Singaporeans in the Workforce

Has foreign labour substituted for Singaporean workers? If foreign workers are used as substitutes by employers, then local workers may lose jobs and may get lower wages because of the increased labour supply. Otherwise, more foreign labour can create jobs for Singaporean workers as a larger population means more business and more jobs. **Chia, Thangavelu and Toh (2004)**¹¹ argued that foreign labour complements Singaporean labour through their role in enabling industrial development beyond Singaporean capabilities. As the economy experienced a tight labour market and full employment from the late 1970s, foreigners eased labour shortages. Foreigners also help to facilitate structural changes towards a knowledge-based economy by augmenting skills in short supply. The authors' empirical study found that Singaporean and foreign labour complement each other. From 1992-97 Singapore's GDP growth averaged 9.7% annually (above its long-term potential growth rate), and foreign labour contributed 29.3% of that growth. GDP growth decelerated to an average 3.1% in the subsequent period 1997-2002 and the foreign labour contribution fell to 0.1%. The flexibility of the labour market is very much facilitated by the swift adjustment of foreign employment.

To account for the difference in skills level, the authors segmented the total labour force into 3 categories (Singaporean skilled, Singaporean unskilled, foreign skilled/employment pass holders, and foreign unskilled/work permit holders). The results suggested that foreign workers are complements to Singaporean workers at the macroeconomic level. The findings suggest that 1% change in work permit holders supports employment for 2.6% Singaporean skilled and 1.4% Singaporean unskilled, while 1% change in employment pass holders supports employment for 1.9% Singaporean skilled and

¹¹ Economic Survey of Singapore 2004Q1.

0.2% Singaporean unskilled. The numbers include direct incremental Singaporean job creation, spill-over of Singaporean employment benefits arising from foreign participation, and the implicit opportunity cost in terms of Singaporean jobs that would have been lost had foreigners not been allowed in.

Foreign Labour Impact on GDP Growth and Productivity Performance

A country's GDP growth is dependent on growth of factor inputs (land, labour, capital) and total factor productivity. A secular decline in TFR means a lowered GDP growth path unless offset by inflows of foreign labour and improvements in productivity. Hence foreign labour raises the potential GDP size of Singapore and Singapore has been growing beyond the limits set by its population growth. A positive impact of foreign labour on productivity performance would further enhance but a negative impact would lower Singapore's GDP growth. Singapore's record on productivity growth has been a dismal 1% per year over the past decade. The ESC recommended that Singapore should more than double its productivity growth rate to 2-3% annually in the next decade to achieve 3-5% annual GDP growth. It proposed upgrading worker skills among other measures. But easy access to foreign labour has disincentivised firms from the need to upgrade their workers. Hence ESC proposed tightening the supply of foreign labour by raising levies.

Wu and Thia (2002) found empirically that Singapore's overall total factor productivity (TFP) growth could have been significantly higher if not for foreign labour. The "labour churning" practice of replacing foreign workers by new batches on expiry of their work permits, means foreign workers are unable to improve productivity through accumulating work experience, training and upgrading. The authors computed TFP growth in 1992-2002 by adjusting total employment to exclude work permit holders in the construction sector and FDWs, resulting in an adjusted TFP growth rate of 1.60% annually during 1991-2001, as compared to 0.94% using the conventional method. Much of the difference between the two TFP estimates can be attributed to the mid-1990s, when there was an influx of foreign workers in the construction sector.

Foreign Professional/Skilled Labour Facilitates Economic Restructuring

While the Singapore government played a major role in economic restructuring through its visionary industrial policy (industrialisation, financial centre, petro-chemical complex, bio-medical complex, tourism and casinos) by attracting the necessary foreign MNCs and other investors, it has also to assure these investors that Singapore has the necessary labour supply and skill-sets.

Creating the required supply of skills for the infant industries and services requires a long gestation period of education, skill acquisition and experience. It took time to establish technical institutes, polytechnics and universities to generate engineers and business professionals and an even longer time for these diploma/degree holders to acquire the necessary experience. In the interim Singapore had to depend on foreign inflows as a stop-gap. Singapore had to liberalise inflows of investors (GATS Mode 3 on right of establishment) but also liberalise inflows of professionals, managers, executives and technicians (PMETs under GATS Mode 4 on movement of natural persons) through intra-corporate transferees of MNCs as well as individual service suppliers.

Foreign Labour to Contain Wage and Labour Costs and Fill 3D Jobs

Beyond the 1980s, as wages rose in Singapore with robust economic growth and increasing labour scarcity, foreign labour (both PMETs and production workers) were necessary to ensure that Singapore remained a key node of regional production and distribution networks and that labour industries did not relocate out of Singapore too quickly to cause hollowing-out and de-industrialisation.

The influx of low-skilled workers contributed to wage suppression in Singapore. The wage/GDP share in Singapore is substantially lower than those in economies with comparable per capita incomes and in the Asian NIEs. In 1980 the wage/GDP share was a low 38% but climbed to a peak of 48% in 1985 (due to high wage policy, which was seen as eroding the profitability of companies and contributing to the ensuing recession and subsequently reversed). Since then the wage share has moderated and in 2008 it stood at 44.9%. The large inflow of low-skilled workers from countries with abundant cheap labour have depressed wages for the bottom fifth of workers in Singapore. The worker's levy is an effort to prevent domestic wages dropping to the level of the foreign workers' reservation wage. However, Singapore's university economists have mixed views of the implications of the low wage/GDP share. Hui Weng Tat argues that the introduction of the Workfare Income Supplement (WIS) is an admission that the problem is serious.¹²

In making comparisons between Singapore and neighbouring countries in attracting FDI, high labour costs often stand out as the key factor that makes Singapore less competitive. However, this does not mean that Singapore should compete on the basis of labor cost alone. Productivity growth holds the key to rising incomes and improving living standards.

A large concentration of foreign low-wage workers are to be found in 3D (dangerous, dirty and de-meaning) jobs in the construction sector, in the marine sector, in cleaning and maintenance occupations, in retail and food and beverage outlets, and as FDWs. These occupations are unpopular with Singaporeans but are in non-tradeable sectors that could not be readily out-sourced. To reduce dependence on foreign workers in these sectors and occupations require automation and mechanization and the re-design of the occupations to make them more productive and thus able to sustain higher wages and less "dangerous, dirty and de-meaning".

Foreign Labour as Cyclical Buffer

Migrant workers are used as a cyclical buffer in many receiving countries and not just in Singapore. As the US-originated financial crisis in 2008 spread globally and to Asia, resulting in plummeting exports and GDP and rising unemployment, the fall-out on migrant workers took many forms ---loss of employment; when retrenched, shift to undocumented status rather than return home; falling wages and earnings affecting remittances sent home; potentially increased discrimination and xenophobia as migrants were perceived as taking away jobs of local workers; and migrants who returned home were likely to encounter high unemployment and poverty. In Singapore, the global financial crisis caused the economy to plunge into negative growth and the unemployment rate of residents rose to a high of 5.9% in 2009.

Theoretically, the "foreign tap" can be turned on in times of boom and off in times of recession. But in practice, the management of foreign workforce as a buffer was never easy. As noted by **Chew and Chew (2008)**:

- In the 1998 recession, the economy lost about 24,000 jobs, but almost 27,000 locals lost their jobs while 4000 new jobs went to foreign labour.
- In the 2002 recession, the economy lost 23,000 jobs. Almost 20,000 locals were able to get jobs at expense of foreign workers.
- In the 2005 economic boom, 113,000 jobs were created of which 63,500 went to locals and almost 50,000 went to foreign workforce. There was no controversy as there were plenty of jobs for locals.

¹² The Workfare Income Supplement (WIS) scheme was announced during the 2007 Budget Speech as a permanent scheme following the one-off Workfare Bonus Scheme. The objectives of WIS are to supplement the wages and CPF savings of older low-wage workers and to encourage them to stay employed. After 3 years in operation, the WIS scheme was reviewed and 2 broad changes made. First, enhancements have been made to refine and strengthen it. Second, the Workfare Training Support (WTS) scheme has been introduced to help low-wage workers train and upgrade. From January 2010, the maximum payout for WIS is raised from S\$2400 per year to S\$2800. The maximum qualifying average monthly income is raised from S\$1500 to S\$1700.

Measures that are not carefully calibrated according to cyclical ups and downs in labour demand could result in perceptions that foreigners were taking away jobs from Singaporeans during recessions. At the same time, Singapore's use of foreign labour as a cyclical buffer could aggravate the unemployment situation in source countries that are similarly undergoing recession when these foreign labour are repatriated and new recruitments slowed down.

VI. MANAGING ILLEGAL FOREIGN WORKERS AND ENSURING FOREIGN WORKER WELFARE

Management of Irregular/Illegal Foreign Labour

Compared to its bigger neighbours, Singapore has relatively less problems with irregular and illegal labour migrants. This reflects: (i) the small land size of Singapore and its well-patrolled borders and the relative absence of rural informal sectors in which irregular and illegal workers can seek refuge and find employment; (ii) the transparent and efficient implementation of immigration laws and regulations and work permit requirements and processes; (iii) the severe penalties for irregular migrants and their employers, and human smugglers.

Nonetheless, there have been many reported cases of employers recruiting illegal workers. Such errant employers may "gain" from not paying levies and fees and paying lower wages. The irregular and illegal foreign workers may "benefit" from gaining employment in Singapore, but are vulnerable to exploitation by employers and are not covered by Singapore's protective legislation and benefits that legal foreign workers can enjoy. The 1991 Employment of Foreign Workers Act punishes employers caught employing foreigners illegally. The offenders are liable to be charged in court, with a first time offender facing fines equivalent to 2-4 years of foreign worker levy and/or imprisonment of up to 1 year. Locals who harboured and/or employed illegal immigrants and over-stayers such as employers, landlords and housing agents are also punishable. Apart from enforcement actions, MOM has also intensified efforts to inform and educate employers and foreign workers on the penalties of infringing employment and immigration rules and regulations. Such outreach programmes have included sending information to source countries.

Resolving Problems Facing Foreign Unskilled/Semi-skilled Workers

Problems faced by foreign labour that engender concerns of social activists pertain primarily to foreign unskilled and semi-skilled workers and particularly FDWs. Foreign professionals and highly skilled workers face national and "expatriate" treatment by host country government policies and employers, are not subject to exploitation by recruitment and placement agencies, and are better aware of the laws and regulations and their rights and bargaining powers. Their major concern is on the recognition of their educational and professional qualifications and work experiences that determines their eligibility for employment passes and their entry salaries. For intra-corporate transferees of MNCs, their terms and conditions of service in Singapore are the result of negotiations with their employers.

In Singapore, employers of unskilled and semi-skilled foreign workers are responsible to apply for the work permit; pay the foreign worker levy; arrange for the foreign worker's medical examination; pay the medical care and hospitalisation expenses (through medical insurance coverage); provide Work Injury Compensation Insurance; send the foreign worker in the construction industry for Safety Orientation Course; provide upkeep, maintenance and eventual repatriation; provide acceptable housing; put up a S\$5,000 security bond for non-Malaysians; ensure foreign worker's welfare and interests are looked after, including proper orientation, social and recreational needs. The worker levy liability ceases upon expiry or cancellation of the work permit. In the event of non-payment of levy, a late payment penalty is charged against the employer, existing work permit is cancelled, employer is not allowed to apply for new work permits or renew existing ones, and legal proceedings will be taken

to recover the unpaid levy liability. MOM investigates and take action against errant employment agencies and employers who flout Singapore laws and regulations.

(a) Problems in the Recruitment and Placement Process

At times, foreign workers were misled by recruiters in their home countries of the job opportunities in Singapore and the wages and salaries they can earn; sometimes they arrive in Singapore and found no jobs waiting for them. These job-seekers have to incur heavy placement costs payable to various recruiters and middlemen in their home country as well as transportation and living expenses along the way. These costs can amount to several months of their wages in Singapore, leading them into debt before they even start working. For those with jobs, they fear retrenchment before they could even recover their costs and preferred to become irregular workers rather than be repatriated when retrenched.¹³

In response to complaints of worker exploitation, the government enacted the Employment Agencies Act to protect foreign workers from exploitation by screening the credentials of employment agencies in Singapore before registering them and stipulating that they cannot charge job seekers more than 10% of their first month's earnings, cannot charge employers more than a S\$5 registration fee and 80% of the worker's first month's earnings. They also see to the training of FDWs to prepare them for work in Singapore households. Stringent licensing requirements are aimed at transparency and accountability in the recruitment process. A new Employment Agency applicant must be a Singapore citizen or permanent resident at the point of application; possess an accreditation certificate for those placing FDWs; furnish a security deposit of S\$20,000 in the form of Banker's Guarantee during the in-principle approval stage; have appropriate operating premises subject to the relevant authority's approval for appropriate land use; and pay a licence fee of S\$350 after the application has been approved. Applicants for licences must not have any record of previous court convictions. Most employment agencies are accredited by the Association of Employment Agencies (Singapore) or CaseTrust (a branch of the Consumers Association of Singapore). The accreditation bodies have introduced guidelines on services and charges as well as sample service agreements between employers and agencies and employment contracts between foreign workers and employers. The Singapore Employment Agencies work with counterparts in sending countries to source workers. Many Singapore employers also use the services of foreign agents to recruit workers. On complaints of excessive charges paid by foreign workers, the problem usually lies with the source countries, but MOM jurisdiction extend only to employment agencies in Singapore.

(b) Welfare, Occupational Health and Safety Issues

The working and living environment in Singapore is generally of a high standard and better than the source countries of the unskilled/semi-skilled foreign workers. There is political and social stability, law and order, a clean environment, little public sector corruption, and efficient public service provision of energy, transportation and healthcare. There are no restrictions on transfer of remittances and banking and financial services are well developed to facilitate such remittances. In addition, foreign workers in Singapore have the opportunity to upgrade their skills and to acquire formal certification of competency in a trade. Employers are encouraged to offer skill improvements to their foreign workers as the levy is lower for better skilled foreign workers.

Social activists and NGOs have highlighted the plight of contract unskilled/semi-skilled foreign workers (particularly FDWs) in receiving countries. In Singapore, all local and foreign workers (excepting FDWs), are protected by the Employment Act and the Workmen's Compensation Act. The Employment Act protects labour rights such as a minimum of one rest day per week, maximum working hours per week, mandated days of paid sick leave, and limits on salary deductions. The Workmen's Compensation Act provides compensation for workplace injuries and occupational illnesses. All employers of FDWs must also take out personal accident insurance coverage of at least S\$10,000 for each FDW since these workers are not entitled to workman's compensation. Under the

¹³ Cases of such exploitation are cited in the studies contained in Ananta and Arifin (eds 2004), *International Migration in Southeast Asia*.

Employment of Foreign Workers Act (also known as the Employment of Foreign Manpower Act) employers are required to pay all wages due to workers before repatriation, keep written records of wages, provide acceptable accommodation and a safe working environment and provide prior notice of termination. For FDWs, the employer must also agree to pay for repatriation costs of the worker, purchase a minimum S\$10,000 personal injury insurance policy, and employ her only for domestic duties in the household registered for the permit. Breach of work permit conditions by the employer may result in prosecution, imprisonment for up to 6 months, a maximum fine of S\$5000, revocation of the work permit, and a prohibition from employing FDWs in the future and forfeiture of the S\$5000 security bond.

Over the years Singapore has been faulted by human rights groups and NGOs for the low wages, sub-standard accommodation, lack of recreational facilities and occupational safety for its foreign workers. Such negative publicity has led to policies and measures to improve working and living conditions and occupational safety.

Providing decent accommodation for foreign workers is not a major problem with FDWs since they live in their employer households, although there are media reports of households not providing proper sleeping arrangements for their maids. Work permit holders, excluding FDWs, are housed in dormitories, and other residential premises. Housing is a more serious problem for foreign construction workers, who are often accommodated on worksites in sub-standard conditions. To meet demand for foreign worker housing, the Singapore government has been launching new sites for dormitories since 2007. MOM has been prosecuting errant employers and stepped up inspections of housing accommodation provided by employers, to ensure that the laws are complied and workers are accommodated in decent and environmentally clean dormitories. Employers have also been taken to task by the authorities for transporting foreign workers from dormitories to worksites in trucks that do not have safety features installed to prevent accidental falls.

The Singapore news media have reported FDWs facing problems of occupational safety and physical abuse. Most FDWs originate from the rural areas and are unfamiliar with high-rise living in Singapore and there have been incidents of them falling to death from high-rise apartments in the course of their work. In order to raise awareness about safe working conditions and legal obligations, MOM has published a guide for employers of FDWs and introduced 2 compulsory programmes --- an orientation for new employers focusing on safe workplace practices and acceptable employment practices, and a safety awareness seminar for all new FDWs. Errant employers, who physically abuse their FDWs have also been punished by the law courts and their cases highlighted in the media to shame them and as a warning to others. At the same time, the Singapore courts have also handled a number of cases where FDWs injured or murdered the elderly and young children in their care due to psychological stress. To mitigate such psychological problems, new requirements for FDWs include minimum age of 23 years, some English language speaking proficiency, and formal education of 8 years.¹⁴

An MOM 2010 study on *FDW and FDW Employer* covering face-to-face interviews with 900 randomly selected FDW and 450 employers found 9 in 10 foreign maids said they were satisfied with working in Singapore, almost 9 in 10 would like to continue working for their current employer, while 7 in 10 expressed an interest in continuing to work in Singapore after their contracts expire. 99% of the maids said they were given sufficient good and 97% said they were given adequate rest. However, only 53% said they were given at least 1 rest day per month.

So far MOM has rejected calls to extend the Employment Act to FDWs to guarantee them standard working conditions (including one rest day a week) arguing that it is difficult to enforce such working

¹⁴ These requirements are to ensure FDWs are mature workers and to minimise language misunderstandings between the FDWs and their employers. The English language proficiency has apparently caused distress among some prospective Indonesian FDWs who failed the test and had to be repatriated, and there has been a call to lower the language requirement.

conditions in the home environment and leaving it to FDWs to negotiate with their employer households for time-off or monetary payment in lieu of time-off. Critics contend that this exposes FDWs to long working hours, lack of weekly rest days and unequal access to employment benefits. This has led the Philippines government to unilaterally requiring Filipinas seeking employment as FDWs to sign on to its standard contract which stipulates minimum wage and rest days etc. Singapore households that are reluctant to abide by this Philippines contract have to seek FDWs from other source countries.

There is no minimum wage legislation in Singapore, be it for citizens or foreign workers. It is noted that FDWs in Singapore are paid less than their counterparts in Hong Kong and Taiwan. Employers of FDWs in Singapore argue that the cost of employing FDWs is equivalent, as they have to pay the worker levy. The government, has so far stood firm on calls to introduce minimum wage legislation for all workers, arguing that wages are best determined by market forces, and low income households and individuals can be assisted by other measures, such as the Workfare Income Supplement (WIS) Scheme. Singapore also has no unemployment benefits and retrenched workers cannot withdraw their CPF savings to enable them to tide over periods of unemployment, forcing workers to seek employment or else depend on past savings and the family to tide them over.

VII. CONCLUSION

Singapore has become increasingly dependent on foreign workers (professionals, skilled, semi-skilled and unskilled). This has been occasioned by the need to grow the population, mitigate population ageing and supplement domestic labour supply in view of the sharp and continuing decline in TFR. Singapore also needs inflows of foreign talent to supplement the limited domestic supply due to past inadequacies in human resource development. Additionally, foreign workers act as cyclical buffer, help keep wage costs down for labour-intensive businesses, and provide workers in low-wage 3D jobs in construction, marine and retail sectors shunned by Singaporeans.

Singapore's dependence on foreign professionals, managers, executives and technicians (PMETs) and innovators and entrepreneurs will have to continue as the Singapore economy further upgrades and globalises. Maintaining foreign labour at one-third of the total labour force (the government's declared objective) will require a structural shift towards a rising proportion of foreign PMETs, innovators and entrepreneurs, and a declining proportion of foreign low-skilled workers. As with Singapore's continuing welcome of foreign MNC investments, foreign PMETs are the yeast that will keep the Singapore economy innovative, competitive and internationally connected. It should be recognised that Singapore will have to compete with many other countries for this globally mobile and desired foreign talent and will have to offer the best terms to attract the best. At the same time, Singaporean PMETs should also increasingly seek regional and global experience and this will be facilitated by the numerous regional and bilateral FTAs that Singapore is signatory to, as most of them have provisions for liberalisation of investment and of services (including Mode 3 on right of establishment and Mode 4 on movement of natural persons). The ASEAN Economic Community (AEC) has provisions for the free movement of skilled labour and Mutual Recognition Arrangements (MRA) have been concluded for several professions. This will facilitate the movement of these professionals between Singapore and other ASEAN countries. A growing number of Singaporean PMETs are working not only in ASEAN but also in China, Hong Kong, Taiwan, Japan, North America, Europe and Australia, gaining valuable international and regional experience.

Singapore's larger dependence on low-skilled foreign workers cannot continue to grow indefinitely. For one, Singapore has to prepare for the day when surplus labour from preferred sources dries up as these source countries undergo demographic transitions and become developed. For another, the ready availability of low-skilled and low-wage foreign labour has delayed economic restructuring, slow-down productivity growth, and suppressed wages of comparable Singaporean workers. Singapore has to accelerate economic restructuring and productivity improvement and phase out labour-intensive industries, services and business operations. Additionally there are space and social constraints to a

continuing foreign worker influx, as demonstrated by the growing unhappiness of some Singaporeans who perceived foreigners crowding them out of jobs, public and recreational spaces and public services such as transportation, healthcare, housing and education. These citizenry concerns have pressured the government to re-iterate that citizens will always have priority and to promise to cap the foreign workforce at one-third of the total workforce in the long term. This quantitative cap will mean that the foreign worker inflow will slow dramatically and be increasingly focused on foreign professionals and the highly skilled.

Reducing the demand for foreign low-skilled workers over the medium and long term will require incentives/disincentives and change in mindsets. Businesses need to pay higher worker levies to pressure them to upgrade and use less labour and more particularly less foreign labour. The largest need for work permit holders are currently in the services, marine and construction sectors, particularly in 3D occupations. Industrial processes and occupations will have to be re-designed, including more comprehensive use of IT, to economise on labour-use. 3D jobs will have to be re-designed to be less dangerous, less dirty and less boring and better paying to attract more Singaporean workers. Singaporeans also need more education, training and retraining to better equip them for PMET jobs. And the FDW levy can be calibrated to reduce Singaporean households' growing dependence on FDWs. Full-time, live-in maids should be made available to households with young children, and disabled and elderly persons; other households should make-do with part-time maids to perform household chores.

An issue, that sometimes leads to frictions in bilateral relations with sending countries, pertains to negative perceptions of Singapore's treatment of foreign workers.

- Problem of illegal and irregular migrant workers: Singapore is a rules-based city-state and violators inevitably punished by the courts according to Singapore law. Bilateral cooperation between sending countries and Singapore is needed to ensure proper issuance of passports and visas, border controls and repatriation processes.
- Repatriating foreign workers in a recession: Singapore has adopted a policy (supported by trade union leaders) of enjoining employers to minimise retrenchment and to consider options of lower wages and spreading the reduced work among the workforce. It should be noted that many Singapore employers prefer the option of "labour hoarding" in a downturn, as the recruitment costs of a subsequent upturn could also be high. Where large-scale retrenchments are inevitable, it would be helpful if embassies of source countries are given advance warning so that they can better anticipate the problem.
- High transaction costs and exploitation by recruitment and placement agents: Governments of both source countries and Singapore should try to weed out excessive costs imposed by agents in the recruitment/placement process. Foreign workers should not have to pay double charges, one to recruiting agents in source country and another to placement agents in destination countries. Legislation in Singapore requires registration and monitoring of employment agencies in Singapore have helped to resolve the problem at the destination.
- Problems of frictions with employers due to unfulfilled expectations and infringements of worker safety and welfare: These call for better dissemination of information on working conditions and job requirements in Singapore; better education of employers and workers on observing safety practices at work; pre-employment skills training in source and receiving countries and joint training and certification programmes. The Singapore Ministry of Manpower have produced brochures and established training programmes to inform and educate foreign workers and employers on their rights and obligations and on occupational safety. Singapore has also tightened legislation and inspection and enforcement to ensure that foreign workers are paid their wages and decent accommodation and safe transportation provided. The Singapore law courts have been meting out punishments (including imprisonment) to householders who have abused their FDWs and the Singapore newspapers have publicised such cases to name and shame them.

The ASEAN Declaration on the Promotion and the Protection of the Rights of Migrant Workers (2007) sets out commitments and obligations of labour sending, labour receiving countries and ASEAN, including commitments to intensify efforts to protect fundamental human

rights, promote the welfare and uphold human dignity of migrant workers. ASEAN should collectively ensure implementation of these commitments by all ASEAN labour sending and receiving countries.

- Issue of minimum wage: Singapore has no minimum wage legislation, be it for Singaporean workers or foreign workers. Hence the demand by some sending countries for minimum wage for foreign workers in Singapore has to be considered in the broader context of a minimum wage for all workers. At the same time, Singapore sources its foreign workers from a wide range of countries. Signing bilateral agreements with individual sending countries would result in inconsistent and discriminatory provisions between countries. The Singapore government should seriously explore the desirability of implementing a minimum wage for Singapore, particularly as the income and wage gap has widened considerably in recent years and there is need to implement the Workfare Income Supplement (WIS) scheme. Alternatively, the government should scrap the foreign maid levy for “needy households” so that households can pay wages comparable to those in Hong Kong and Taiwan. Another proposal¹⁵ would be for the FDW levy to be held in trust and given to the maid when she completes her contract and departs from Singapore.
- Issue of working hours and rest days for FDWs: Live-in maids in Singapore are not covered by the Employment Act which, inter alia, specifies working hours and rest days. The government explanation was that it is extremely difficult to regulate this “informal sector employment”. In view of the high percentage of households that do not provide a rest day for FDWs, it is time for the government to reconsider the inclusion of FDWs in the Employment Act. There could be exemptions to the day-off rule with adequate compensation, to be negotiated between employer and FDW.

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¹⁵ As suggested by Hui Weng Tat at a seminar held on 10 October 2011 at the Singapore Institute of International Affairs

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