Employment & Benefits

Key Changes to Policies for Foreign Workforce, Lower-Wage Workers

Introduction

As the economy recovers from the ravages of COVID-19, businesses are starting to increase their hiring. Against this backdrop, Minister of Manpower Dr Tan See Leng announced in his Committee of Supply 2022 speech on 4 March 2022 that Singapore would be making several key changes to strengthen the complementarity and diversity of its foreign workforce, as well as provide greater clarity and certainty to businesses on foreign workforce policies.

Apart from the Minister's speech, there have been other recent announcements by the Ministry of Manpower ("**MOM**") relating to Singapore's foreign workforce policies, as well as additional measures to advance the well-being of lower-wage workers. We cover the following:

1. Changes to requirements for Employment Passes ("**EP**")
   a. Benchmarking of the minimum qualifying salary for EP holders; and
   b. Introduction of the new Complementarity Assessment Framework ("**COMPASS**").

2. Changes to requirements for S Passes
   a. Benchmarking of the cost of hiring an S Pass holder with reference to the qualifying salary and levy rates.

3. Changes to restrictions in hiring foreign employees
   a. Updates to foreign workforce policies for the construction and process sectors, including phasing out the Man-Year Entitlement ("**MYE**") framework;
   b. Introduction of the new Non-Traditional Source ("**NTS**") Occupation List for the services and manufacturing sectors to allow businesses to hire S Pass holders on Work Permits; and
   c. Launch of the Manpower for Strategic Economic Priorities ("**M-SEP**") scheme to allow qualifying firms some flexibility in hiring S Pass and Work Permit Holders ("**WPHs**").

4. Other changes
   a. Enhanced coverage of mandatory medical insurance for S Pass and WPHs to better protect employers, who are liable for their employees' medical bills; and
   b. Introduction of the Progressive Wage Mark accreditation to support local lower-wage workers.

We elaborate on these changes below.

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Overview and Timelines

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(A) Changes to EP Requirements

Benchmarking of salary

Under existing rules, foreigners who wish to work in Singapore under an EP must meet a minimum qualifying salary. Going forward, to ensure that EP holders are comparable in quality to the top one-third of Singapore's local PMET (professionals, managers, engineers, technicians) workforce, the minimum qualifying salary will be benchmarked to the top one-third, or the 65th percentile, of local PMET wages. This will be implemented per the following:

	Non-financial services ("FS") sectors	FS sector
Current qualifying salary	$4,500/month (increases up to $8,400 for a candidate in mid-40s)	$5,000/month (increases up to $10,500 for a candidate in mid-40s)

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	Non-financial services ("FS") sectors	**FS sector**
Revised qualifying salary	$5,000/month (increases up to $9,300 for a candidate in mid-40s)	$5,500/month (increases up to $11,500 for a candidate in mid-40s)
Date revision applies	New applications: 1 September 2022 Renewal applications: 1 September 2023	

Businesses should expect that the qualifying salary will be regularly updated in line with local wage trends, but with sufficient lead time allowed before implementation. Crucially, with the setting of a clear benchmark, businesses will have greater clarity and predictability on future revisions.

COMPASS Framework

COMPASS is a points-based system comprising four foundational criteria and two bonus criteria. From September 2023, EP candidates will need to score 40 points under COMPASS to be eligible. All the criteria are tradeable; none is a veto factor.

	Criteria (Individual)		**Criteria (Firm)**	
Foundational	**C1 Salary (individual)** Fixed monthly salary compared to local PMET salaries in sector by age		**C3 Diversity** Share of candidate's nationality among firm's PMETs* *Note: Small firms with fewer than 25 PMET employees will score 10 points by default.*	
	≥ 90th percentile	20 points	< 5%	20 points
	60th to 90th percentile	10 points	5 to 25%	10 points
	< 65th percentile	0 points	≥ 25%	0 points
	C2 Qualifications Candidate's qualifications		**C4 Support for local employment** Firm's share of local PMETs* within its subsector *Note: Small firms with fewer than 25 PMET employees will score 10 points by default.*	
	Top-tier institution	20 points	≥ 50th percentile	20 points
	Degree-equivalent qualification	10 points	20th to 50th percentile	10 points
	No degree-equivalent qualification	0 points	< 20th percentile	0 points

	Criteria (Individual)	Criteria (Firm)
Bonus	**C5 Skills Bonus – Shortage Occupation List ("SOL")** Job is on the SOL • 20 points • Reduced to 10 points if candidate's nationality among the firm's PMETs is one-third or higher	**C6 Strategic Economic Priorities Bonus** Firm meets specific assessment criteria on innovation or internationalisation activities • 10 points

*PMETs are proxied by employees earning at least $3,000/month.

However, COMPASS will not apply to EP candidates if they are:

1. earning at least $20,000 fixed monthly salary; or
2. applying as an overseas intra-corporate transferee under the World Trade Organisation's General Agreement on Trade in Services, or an applicable Free Trade Agreement; or
3. filling a role for one month or less.

The Minister emphasised that COMPASS is not designed to make it harder for businesses to obtain an EP, but to assist firms in identifying which areas to improve on. More details on COMPASS are available on the MOM website here, including how the SOL will be developed and when it will be announced.

(B) Changes to S Pass Requirements

Benchmarking of cost

The cost of hiring an S Pass holder will be benchmarked to the top one-third of local APT (associate professionals and technical) wages by raising the S Pass qualifying salary and levies. As with EP holders, this is to ensure that S Pass holders are comparable in quality to the top one-third of the local APT workforce. The revisions to qualifying salary and levy rates for new S Pass applications will take place in three stages as follows:

		From 1 Sept 2022 *(1 Sept 2023 for renewals)*	**From 1 Sept 2023** *(1 Sept 2024 for renewals)*	**From 1 Sept 2025** *(1 Sept 2026 for renewals)*
Qualifying monthly salary	**Non-FS sectors**	$3,000 (increases up to $4,500 for those in mid-40s)	At least $3,150	At least $3,300
	FS sector	$3,500 (increases up to $5,500 for those in mid-40s)	At least $3,650	At least $3,800

Levy	**Tier 1**	$450	$550	$650
	Tier 2	$650 (no change from prevailing)		

As with EPs, these changes are to ensure that S Pass holders are comparable in quality to the top one-third of the local APT workforce. Businesses should likewise expect regular updates to the S Pass qualifying salary and levy to keep pace with local APT wage trends.

(C) Changes to Restrictions in Hiring Foreign Employees

Updates to foreign workforce policies for construction and process sectors

The COVID-19 pandemic has resulted in significant and repeated disruptions to manpower inflows for the construction and process sectors over the past two years, reaffirming the need for the sectors to press on with productivity improvements to become more manpower-lean and therefore more resilient against future disruptions. Accordingly, the following policy changes will come into effect from 1 January 2024:

1. **Reduction of the Dependency Ratio Ceiling ("DRC")**. The DRC will be reduced from 1:7 (i.e. 1 local employee to 7 Work Permit holders ("**WPHs**") or S Pass holders) to 1:5.
   a. Firms exceeding the new DRC on 1 January 2024 will be allowed to retain their incumbent WPHs and S Pass holders until their work passes expire. However, they will not be able to renew or apply for new WPHs and S Pass holders until their workforce meets the new DRC.

2. **Revision of the levy structure for WPHs**. The new levy structure aims to support firms that adopt more productive technologies and diversify their WPH workforce. More details are available here.

3. **Phasing out of the MYE framework**, under which employers would have to pay higher levies for each NTS or People's Republic of China (PRC) worker they hired beyond their allocated MYE quota. It will be replaced by the new levy structure from 1 January 2024.

NTS Occupation List for services and manufacturing sectors

Businesses in the services and manufacturing sectors are generally required to hire WPHs only from specific countries such as Malaysia and China. However, from 1 September 2023, such businesses will be allowed to hire WPHs from other countries for the occupations listed on the NTS Occupation List. This is subject to the following restrictions:

1. NTS WPHs must be higher-skilled (i.e. meet the R1 criteria) and be subject to a quota; and
2. The WPH can only perform the NTS Occupation stated on their work permit.

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The NTS Occupation List is available here, and will be reviewed from time to time. It will take effect from 1 September 2023.

M-SEP Scheme for strategic firms

To support the growth of strategic firms and their creation of opportunities for locals, the M-SEP Scheme will be launched later this year by MOM, the Ministry of Trade and Industry (MTI), and participating economic agencies. The scheme will provide firms with some flexibility to hire S Pass holders and WPHs beyond the prevailing DRC and will run for three years.

To be eligible, firms must:

1. meet the criteria of undertaking ambitious investment, innovation, or internationalisation activities. This includes participation in selected programmes such as Enterprise Singapore's Scale-Up SG; and
2. commit to developing their local workforce.

More details will be provided in due course.

(D) Other Changes

Enhanced medical insurance coverage for migrant workers

On 4 March 2022, MOM announced that it will enhance the coverage of the mandatory medical insurance for Work Permit (including Migrant Domestic Workers) and S Pass holders. As employers are responsible for the medical bills of their migrant workers, this move will better protect employers from having to bear large unexpected medical bills.

The enhanced coverage will comprise the:

- Introduction of a co-payment element for employers and insurers for amounts above $15,000. For medical expenses of Work Permit and S Pass holders:
    - Up to $15,000 – employers will continue to be fully insured (first dollar coverage).
    - Above $15,000 – insurers will co-pay 75% for amounts above $15,000 up to an annual claim limit of at least $60,000.

- Standardisation of allowable exclusion clauses to provide greater clarity on coverage and eligible claims.

- Introduction of age-differentiated premiums for those aged 50 and below, so as to keep premiums affordable.

- New requirement for insurers to reimburse hospitals directly upon the admissibility of the claim, freeing up cashflow issues for businesses and households.

The changes will apply to all new Work Permit and S Pass applications and renewals, and will take effect by end 2022. Employers may be reassured that the medical insurance premiums are expected to be competitively priced, given that many insurers have expressed interest in offering medical insurance products with enhanced coverage.

Progressive Wage ("PW") Mark Accreditation

As announced on 7 March 2022 in the Speech by the Senior Minister of State for Manpower Mr Zaqy Mohamad at the Committee of Supply 2022, the PW Mark accreditation will be launched in the second half of 2022. This follows from the earlier expansion of the PW approach, which increases the wages of local lower-wage workers through upgrading skills and improving productivity, to more sectors.

1. **PW Mark** – awarded to employers that
   a. have at least one local worker covered by Sectoral or Occupational PWs and pay them at least the relevant Sectoral or Occupational Progressive Wages; and
   b. pay all other local workers the Local Qualifying Salary.

2. **PW Mark Plus** – awarded to employers who adopt the new Tripartite Standards on Advancing Well-Being of Lower-Wage Workers ("**TS Standards**"). The TS Standards are a set of good employment practices that employers should implement, focusing on issues such as better workplace support, training and career development, and mental well-being.

To encourage firms to apply for the PW Mark, the government will require from March 2023 that all suppliers who are awarded government contracts must be accredited with the PW Mark, starting with contracts with larger value.

Concluding Words

Certain policy changes are welcome for employers, such as the enhanced medical insurance coverage and improvements in flexibility when hiring S Pass workers and WPHs. Other changes will require businesses to take advantage of the lead time before implementation to plan ahead. For instance, while changes to the EP framework should not present much difficulty since most existing EPs already satisfy the new requirements, the increase in costs for S Pass workers may create implications for the local workforce. An example would be where a S Pass holder and a local employee are employed in the same role for the same pay. Raising the S Pass holder's salary to meet the new qualifying salary without doing likewise for the local employee is likely to negatively impact morale and staff retention. Employers would do well to consider upskilling their employees to justify the pay rise, or hiring and training local employees.

It would be advantageous for businesses to prepare for these changes when considering both their current workforce profile and future recruitment plans. If you have any questions in relation to the above changes, please do not hesitate to contact our team below.

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