

**FACTSHEET ON FOREIGN WORKFORCE POLICY ANNOUNCEMENTS
AT COS 2019**

The Ministry of Manpower will be making foreign workforce policy changes to ensure the following:

- Maintain the effectiveness of foreign workforce controls;
- Manage the foreign manpower growth in the Services sector to sustain the impetus for restructuring; and
- Encourage businesses to invest in developing local workers and create quality jobs.

Details of the changes are below.

(A) RAISE LOCAL QUALIFYING SALARY (LQS) THRESHOLD FOR THE CALCULATION OF THE FOREIGN WORKER QUOTA

The Local Qualifying Salary (LQS) threshold determines the number of locals that can be used to calculate a firm's quota to hire S Pass and Work Permit holders.¹ Currently, a local worker who earns a monthly salary of \$1,200 counts towards a firm's quota. Two locals who earn at least half the LQS but below the LQS threshold (i.e. two locals with a monthly salary of between \$600 and \$1,200) can be counted as one local for the purposes of the quota computation.

2. The LQS threshold is updated to ensure that local workers are employed meaningfully, rather than being employed on token salaries to allow the employer access to foreign workers. In addition, this ensures that the Dependency Ratio Ceiling (DRC) controls remain effective and are not eroded by rising local wages.
3. Given the rising income levels, from 1 July 2019, the LQS threshold will be raised from \$1,200 to \$1,300. The half-LQS threshold will correspondingly be adjusted from \$600 to \$650.

(B) REDUCE SERVICES DEPENDENCY RATIO CEILING (DRC) AND SERVICES S PASS SUB-DEPENDENCY RATIO CEILING (SUB-DRC)

Changes will be made to the Services DRC and Services S Pass sub-DRC to manage foreign workforce growth in the Services sector to sustain the impetus for restructuring and support better local employment outcomes.

2. The changes will encourage businesses to revamp work processes, redesign jobs and invest further in developing local workers. Adjusting now will allow businesses to create sustainable business models that can cope better in the future, rather than relying on more and more foreign workers. Ultimately, we need a sustainable inflow of foreign workers to complement our workforce, while we upgrade Singaporean workers and build deep enterprise capabilities.

¹ The LQS threshold was previously known as the Full-Time Equivalent (FTE) salary threshold.

3. The DRC cuts will only affect Services firms with higher reliance on foreign workers. A sizeable majority of Services firms (6 in 10) will not be affected because they operate below 35% DRC and 10% S Pass sub-DRC. The remaining affected firms can choose to either shed their foreign workforce that is above the quota, or hire more locals. We have adopted a two-step phased approach with a one-year notice, to help affected businesses transit:

Services DRC and Services S Pass Sub-DRC Reductions

	From 1 Jan 2020	From 1 Jan 2021
Services DRC	40% to 38%	38% to 35%
Services S Pass Sub-DRC	15% to 13%	13% to 10%

4. After 1 Jan 2020 and 1 Jan 2021, if firms still exceed the new DRCs or sub-DRCs respectively, MOM will allow firms to retain excess Work Permit and S Pass holders until pass expiry, to avoid disrupting existing operations. However, these firms will not be allowed to hire new Work Permit and S Pass holders, or renew their existing Work Permit and S Pass holders, until they come within the new DRC or sub-DRC.

5. The Government will spare no effort to help willing firms develop a local pipeline and transform. We will support firms through the SkillsFuture work-learn programmes for fresh polytechnic and ITE graduates, as well university undergraduates, and Workforce Singapore's Adapt & Grow programmes (e.g. Place-and-Train Programme, Career Support Programme and Career Trial) through WSG for mid-career workers. Firms that want to transform can tap on the Lean Enterprise Development (LED) Scheme, Enhanced Enterprise Development Grant and Productivity Solutions Grant to revamp work processes, as well as the Workpro programme to redesign jobs. Under the LED Scheme, firms can apply for transitional manpower support. Firms should submit a concrete transformation plan, and we will prioritise firms that step forward early.