

FAQS FOR FOREIGN WORKER LEVY CHANGES

General FAQs	
Q1	What is the main rationale for the changes to levy rates?
A1	The aim of raising the levy rates is to encourage companies to rely less on foreign workers, give them an incentive to review their current business operation models and to invest in measures to boost skills and productivity. This is in line with measures by the Government to move towards productivity-driven growth.
Q2	How will the levy changes affect companies? What is the Government doing to help companies cope with the increase?
A2	<p>As the Dependency Ratios for all sectors remain unchanged, companies' access to foreign workers is unaffected.</p> <p>The first change on 1 July 2010 will be moderate and subsequent changes will be made at:</p> <ul style="list-style-type: none"> i. half-yearly intervals (for Manufacturing, Services and Marine sectors); and ii. yearly intervals (for Construction and Process) <p>The changes will be implemented over three years until 1 July 2012. This gives companies time to adjust and invest in measures to boost productivity.</p> <p>The increase in levy rates will be complemented by the strong financial support from the Government in the form of tax benefits and grants to help businesses to invest in measures to raise their employees' skills, improve efficiency or create more value. This financial support to be provided to businesses over the next five years will be significantly larger than the latter's increases in levy bills.</p>
Q3	When will the revised levy rates take effect for current workers?
A3	Employers of current S Pass and Work Permit holders will have to pay the new levy rates from 1 July 2010.
Q4	How will the foreign worker levy changes help to improve productivity levels?

General FAQs	
A4	The increase in foreign worker levy aims to motivate companies to replace their foreign manpower with technology and improved business processes. Companies which are highly reliant on foreign workers for growth will have an incentive to review their current business operation models and to deploy their workers more optimally to improve their efficiency and productivity. Companies will also be motivated to invest in productive solutions or methods to help them increase their production output and value with the same number of workers. This will benefit companies in the long run.
Q5	Can employers pass on the levy increases to their foreign workers?
A5	Under the Work Permit and S Pass conditions, employers are prohibited from recovering the levy or other employment-related costs from their workers. MOM will continue to monitor and enforce against employers who attempt to recover the levy from their foreign workers through salary deductions. Those who do so will be prosecuted and/or barred from hiring foreign workers. Any employer who contravenes the Work Permit and S Pass conditions faces a fine not exceeding \$5,000 or jail of up to six months or both, upon conviction.
Q6	Will there be any changes to the Foreign Domestic Worker levy?
A6	There will be no change to the Foreign Domestic Worker levy.
Q7	Will the changes affect Employment Pass holders?
A7	No.

S Pass	
Q8	What are the changes to the S Pass framework?
A8	From 1 July 2010, MOM will introduce 2 levy tiers for S Pass holders. The levy for the Basic Tier and Tier 2 will be \$150 and \$250 respectively by 1 July 2012. The Basic Tier ceiling will be 15%. However, the sub-Dependency Ratio will remain unchanged at 25%.
Q9	Is there a change in S Pass Sub-Dependency Ratio and criteria?
A9	The sub-Dependency Ratio for S Pass holders remains unchanged at 25%. Companies that need to hire S Pass holders will still be able to do so. There is no change in the eligibility criteria as well. The Dependency Ratios for all sectors remain unchanged i.e. companies' access to foreign workers has not changed.
Q10	Why is MOM raising the levy rates for S Pass holders when they are skilled workers?
A10	The current levy has remained unchanged since the introduction of the S Pass in 2004. Furthermore, the total number of S Pass holders has grown rapidly since the introduction of the pass in 2004. Hence, it is timely to review the quantum of the S Pass levy. However, it should be noted that the new S Pass levy is still relatively smaller, in relation to the S Pass holders' salary, compared to that of the Work Permit holders.

Manufacturing	
Q11	What are the changes to the levy rates?
A11	For the Manufacturing sector, the skilled and unskilled levy for Work Permit holders in the basic tier will be increased from the current \$150 and \$240 to \$200 and \$300 respectively by 1 July 2012. For Tier 2, the corresponding levies will be increased from the current \$150 and \$280 to \$300 and \$400 respectively. The levy at Tier 3 will remain unchanged at \$450 for both skilled and unskilled Work Permit holders. To mitigate the impact on companies, the levy increases will be implemented gradually at half-yearly intervals.
Q12	Is there a change in the Dependency Ratio and levy tiers?
A12	All the Dependency Ratios for the different sectors remain unchanged i.e. all companies will have the same access to foreign workers as it has today. However, the levy rates will increase and the levy tiers will be adjusted to reflect the cost of hiring an additional foreign worker more accurately. In other words, if a company does nothing to change its foreign workforce numbers or profile, its levy bill will increase on 1 July 2010. For details, see Q14.
Q13	Will the levy for Tier 3 be increased over the next three years (until 1 July 2012)?
A13	The levy for Tier 3 will remain unchanged at \$450 for both skilled and unskilled Work Permit holders.
Q14	What are the changes to the levy tiers in the Manufacturing sector?
A14	From 1 July 2010, the Basic Tier will be 0% to 35% (Current Basic Tier is 0% to 40%) and Tier 2 will be 35% to 55% (Current Tier 2 is 40% to 55%). The levy tiers at Tier 3 remain the same. From 1 July 2011, the Basic Tier will be 0% to 30%, Tier 2 will be 30% to 50% and Tier 3 will be 50% to 65%. From 1 July 2012, the Basic Tier will be 0% to 25%, Tier 2 will be 25% to 50% and Tier 3 will be 50% to 65%. Companies that need to hire foreign workers will still be able to do so since the Dependency Ratio for the sector remains unchanged at 65%.

Manufacturing	
Q15	Do many companies pay Tier 3 levy rates?
A15	Most companies do not fully utilise their Dependency Ratios. As Tier 3 is meant to cater to seasonal, urgent, or unexpected surge in demands, companies should not be operating in this tier on an extended basis.

Services	
Q16	What are the changes to the levy rates?
A16	For the Services sector, the skilled and unskilled levy for Work Permit Holders (WPHs) in the basic tier will be increased from the current \$150 and \$240 to \$200 and \$300 respectively on 1 July 2012. For Tier 2, the corresponding levies will be increased from the current flat rate of \$280 to \$300 and \$400 respectively on 1 Jul 2012. The levy at Tier 3 will remain unchanged at \$450 for both skilled and unskilled WPHs. To mitigate the impact on companies, the levy increases will be implemented gradually at half-yearly intervals.
Q17	Is there a change in the Dependency Ratio and levy tiers?
A17	All the Dependency Ratios for the different sectors remain unchanged i.e. for the Services sector, the sectoral Dependency Ratio remains unchanged at 50%. However, the levy rates will increase and the levy tiers will be adjusted to reflect the cost of hiring an additional foreign worker more accurately. In other words, if a company does nothing to change its foreign workforce numbers or profile, its levy bill will increase on 1 July 2010. For details, see Q19.
Q18	Will the levy for Tier 3 be increased over the next three years (until July 2012)?
A18	The levy for Tier 3 will remain unchanged at \$450 for both skilled and unskilled Work Permit holders.
Q19	What are the changes to the levy tiers in the Services sector?
A19	From 1 July 2010, the Basic Tier will be 0% to 25% (Current Basic Tier is 0% to 30%) and Tier 2 will be 25% to 40% (Current Tier 2 is 30% to 40%). The levy tiers at Tier 3 remain the same. From 1 July 2011, the Basic Tier will be 0% to 20%, Tier 2 will be 20% to 35% and Tier 3 will be 35% to 50%. From 1 July 2012, the Basic Tier will be 0% to 15%, Tier 2 will be 15% to 35% and Tier 3 will be 35% to 50%. Companies that need to hire foreign workers will still be able to do so since the Dependency Ratio for the Services sector remains unchanged at 50%.

Services	
Q20	Do many companies pay Tier 3 levy rates?
A20	Very few companies utilise their Dependency Ratios. As Tier 3 is meant to cater to seasonal, urgent, or unexpected surge in demands, companies should not be operating in this tier on an extended basis.

Marine	
Q21	What are the changes to the levy rates?
A21	The skilled and unskilled levy for Work Permit holders will be increased from the current \$150 and \$295 to \$200 and \$300 respectively by 1 July 2012. To mitigate the impact on companies, the levy increases will be implemented gradually at half-yearly intervals.

Construction	
Q22	What are Man-Year Entitlements (MYE)?
A22	<p>The Man-Year Entitlement (MYE) Allocation System is a Work Permit allocation system for workers from Non-Traditional Sources (NTS) and the People's Republic of China (PRC). Companies may employ NTS or PRC construction workers who have worked with <u>any</u> employer for a cumulative period of two or more years in the construction industry without the need for MYE.</p> <p>MYE:</p> <ol style="list-style-type: none"> 1. Is the total number of foreign workers a main contractor is entitled to employ, based on the value of projects/contracts awarded by developers/owners; and 2. Is allocated in the form of the number of “man-years” required to complete a project (1 man-year = 1-year employment under a Work Permit). <p>MYE only reflects the total quota of foreign construction workers that has been allocated to a main contractor for a particular construction project.</p> <p>For more information, please refer to: http://www.mom.gov.sg/publish/momportal/en/communities/work_pass/work_permit/application/requirements/construction_sector/Man_Year_Entitlement.html.</p>
Q23	How will the skills classification be changed for construction sector?
A23	<p>In July 2011, the skills framework for the Construction sector will be changed to raise the quality of foreign workers to upgrade the workforce and encourage the retention of higher skilled and more experienced foreign workers. This would support a highly-productive economy.</p> <p>Unskilled Work Permit Holders (WPHs) will be phased out and today’s skilled workers that only possess the Skills Evaluation Certification (Knowledge) [SEC(K)] will be reclassified as “Basic skilled”. A new “Higher skilled” tier will be introduced for WPHs who possess the relevant certifications or experience. This is also applicable to the MYE-waiver WPHs. The criteria for “Higher Skilled” would include a) CoreTrade Registered, or b) have at least 4 years’ experience with additional/specialised skills certifications. Details of the list of additional/specialised skills certifications will be released at a later date.</p> <p>The new skills framework will only be effective from July 2011. During this time, employers should look into upgrading and retaining the better and</p>

Construction	
	more experienced foreign workers who can contribute more to the companies and are more productive.
Q24	What is the rationale for the changes to the skills framework?
A24	<p>Singapore's Construction industry is highly dependent on foreign workers. The sector accounts for a significant proportion of the total foreign workforce in Singapore. We cannot choose to continue to increase the number of foreign construction workers, as there are physical constraints and social disamenities if we have too large a foreign worker population in Singapore.</p> <p>Our Construction foreign workers are largely transient, and many work in Singapore for only a few years before leaving the country. We need to do more to build up a core group of experienced and highly skilled workers, both local and foreign.</p> <p>The Construction sector's productivity levels have remained low, in contrast with the rest of the economy. More must be done to upgrade the productivity levels of the construction sector.</p>
Q25	Why does the Construction sector not have a tiered levy structure?
A25	For the Construction sector, we already have the Man-Year Entitlement system to regulate the supply of foreign workers to the industry, and to reduce the reliance on foreign workers. Hence, we will not be introducing the tiered levy structure based on the Dependency Ratio for the construction sector. As such, we see greater clarity on what the system will do/can do after 1 July 2010.
Q26	What are the changes to the levy tiers and rates?
A26	<ul style="list-style-type: none"> • Unskilled Tier – Phase out unskilled workers by July 2011 • Basic Skilled Tier (MYE) – Raise levy rate for skilled WPHs from \$150 to \$300 by July 2012 and reclassify them as “Basic Skilled” • Higher Skilled Tier (MYE) – Introduce new “Higher Skilled” tier in July 2011, set at a levy rate of \$180 initially and raise this to \$200 by July 2012. • Basic Skilled Tier (MYE-Waiver) – Raise levy rate for skilled WPHs from \$300 to \$450 by July 2012 and reclassify them as “Basic Skilled” • Higher Skilled Tier (MYE-Waiver) – Introduce new “Higher Skilled” tier in July 2011, set at a levy rate of \$330 and raise to \$350 by July 2012 • MYE Quota – The MYE quota will be reduced by up to 25% by July 2012. (5% in July 2010, 10% in July 2011, and 10% in July 2012)

Construction	
Q27	What is going to happen to the unskilled Work Permit Holders in the Construction sector when the new skills framework is implemented in Construction sector?
A27	The Government will give companies time to transit to the new framework. Companies are encouraged to upgrade their unskilled Work Permit holders to retain them.
Q28	Are there any changes to what kind of workers can be hired through the MYE-waiver route?
A28	As per current criteria, companies may employ NTS or PRC construction workers who have worked with any employer for a cumulative period of two or more years in the construction industry without the need for MYE.
Q29	What are the changes to the MYE quota? What is the rationale for this change?
A29	<p>The MYE will be reduced by up to 25% by 1 July 2012. The MYE system was introduced in April 1998 with the intention to reduce the industry's reliance on foreign workers and encourage the industry to achieve productivity improvements and technology adoption. This intention remains relevant today.</p> <p>To help the industry retain experienced and skilled workers, and make the necessary adjustments, the MYE waiver route will be retained. In addition, the MYE changes will be phased in over the next 2 years.</p>
Q30	How will the 25% reduction in MYE quota be effected?
A30	The 25% reduction in MYE quota will be gradually implemented, with a reduction of 5% in July 2010, 10% in July 2011, and another 10% in July 2012.
Q31	How will the reduction in MYE quota impact companies?
A31	<p>MYE cuts will only apply to new MYE applications. MYE quota that has already been allocated will not be affected.</p> <p>In addition, the reductions in MYE quota will be progressively introduced over the next 2 years. For new projects, the phased approach will give the industry adequate time to look into various options to reduce their foreign manpower demand, either by adopting technology or optimising labour usage.</p>

Process	
Q32	What are the changes to the levy rates?
A32	For the Process sector, the skilled levy for Work Permit Holders (WPHs) within the MYE will be increased from the current \$150 to \$300 by 1 July 2012. We will also introduce skilled and unskilled levy for WPHs on MYE-waiver from 1 July 2011 and the levy rates will be \$350 and \$450 respectively by 1 July 2012. To mitigate the impact on companies, the levy increases will be implemented gradually at yearly intervals.
Q33	Are there any changes to what kind of workers can be hired through the Man-Year Entitlements-waiver route?
A33	As per current criteria, companies may employ NTS or PRC construction workers who have worked with <u>any</u> employer for a cumulative period of two or more years in the construction industry without the need for MYE.
Q34	What are the changes to the MYE quota? What is the rationale for this change?
A34	<p>The MYE quota will be reduced by up to 25% by July 2012.</p> <p>The MYE system was introduced in April 1998 with the intention to reduce the industry's reliance on foreign workers and encourage the industry to achieve productivity improvements and technology adoption. This intention remains relevant today.</p> <p>To help the industry retain experienced and skilled workers, and make the necessary adjustments, the MYE waiver route will be retained. In addition, the reductions in the MYE quota will be phased in over the next 2 years.</p>
Q35	How will the 25% reduction in MYE quota be effected?
A35	The 25% reduction in MYE quota will be gradually implemented, with a reduction of 5% in July 2010, 10% in July 2011, and another 10% in July 2012.
Q36	How will the reduction in MYE quota impact companies?
A36	<p>First of all, MYE cuts will only apply to new MYE applications. MYE quota that has already been allocated will not be affected.</p> <p>In addition, the reductions in MYE quota will be progressively introduced over the next 2 years. For new projects, the phased approach will give the industry adequate time to look into various options to reduce their foreign</p>

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