18 Feb 2022

SUPPORTING INDUSTRY TRANSFORMATION IN THE CONSTRUCTION AND PROCESS SECTORS

The Construction and Process sectors are key drivers of Singapore's economy. The Government has been working closely with the industry to drive business and workforce transformation. These sectors have been impacted by the COVID-19 pandemic, as their heavy reliance on foreign workers resulted in significant manpower challenges, with the restrictions on cross-border travel.

2 The Government has provided significant assistance to support the Construction and Process sectors during the COVID-19 pandemic. For example, foreign worker levy rebates of $250 per Work Permit holder (WPH) in these sectors have been provided for firms to cope with elevated manpower costs due to the tight worker inflow situation. The Government will also be helping firms address their acute worker shortages in the immediate term by ramping up the inflow of new workers and the return of existing workers.

3 However, the significant and repeated disruptions to manpower inflows for the Construction and Process sectors over the past two years of the pandemic reaffirm the need for the sectors to press on with productivity improvements to become more manpower-lean. This will make our Construction and Process firms more resilient against future disruptions.

4 The Government has been working with the industry for some time to help it become more productive and manpower lean. We have previously mentioned that we are studying a reduction in the Dependency Ratio Ceiling (DRC) and removal of the Man-Year Entitlement (MYE) framework. To this end, the Ministry of Manpower (MOM), Building and Construction Authority (BCA), Economic Development Board (EDB) and Enterprise Singapore (ESG) will make the following policy changes for the Construction and Process sectors, to support this transformation and incentivise firms to hire higher-skilled foreign workers:

a. Reduce the DRC from 1:7 (i.e. 1 local employee to 7 WPHs or S Pass holders) to 1:5 (i.e. 1 local employee to 5 WPHs or S Pass holders);

b. Phase out the MYE framework[1];

c. Revise the levy structure for WPHs (refer to **Annex** for new levy structure).

5 Firms will be given time to adjust. These changes will take effect from **1 Jan 2024**. In addition, firms that exceed the DRC of 1:5 on 1 Jan 2024 will be allowed to retain their incumbent WPHs and S Pass holders until the work passes expire. However, these firms will not be able to renew, or apply for new WPHs or S Pass holders, until they bring their firm's workforce within the DRC of 1:5.

6 Firms can continue to apply for and use their MYE quotas up to 31 Dec 2023. Project contracts that have already been awarded or had tender calling date on or before 18 Feb 2022 will be allowed to use their MYE quotas up to 31 Dec 2024 or their project completion date, whichever is earlier.

Support to help firms transform and hire locals

7 Firms in the Construction and Process sectors are encouraged to tap on various Government initiatives to transform their businesses and hire locals. The aims and details of such initiatives include:

a. *Supporting business transformation*

- *Enterprise Development Grant (EDG),* which provides customised support to help firms upgrade their business capabilities, innovate or venture overseas.
- *Productivity Solutions Grant (PSG)*, which provides co-funding (capped at $30,000) to support costs of adopting pre-approved digital solutions for local Small and Medium Enterprises (SMEs).
- *Productivity Innovation Project (PIP),* which provides up to 70% co-funding for the costs of adopting technologies such as Design for Manufacturing & Assembly (DfMA) and Integrated Digital Delivery (IDD) in the Construction sector.

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[1] The MYE framework is an allocation system for WPHs from Non-Traditional Sources (NTS) (Bangladesh, India, Myanmar, Philippines, Sri Lanka and Thailand) and the People's Republic of China (PRC). The MYE quota allocated to each project depends on the project type and the contract value. Firms that hire NTS or PRC WPHs above their allocated MYE quotas will need to pay a higher levy rate (on the MYE-waiver tier).

The In-Principle Support (IPS) is an allocation system for Process maintenance NTS and PRC WPHs, and will also be phased out from 1 Jan 2024.

b. *Helping firms build up the local talent pipeline*

- *Career Conversion Programmes (CCP),* which offer up to 90% funding support for salary and training costs for firms to hire mid-career jobseekers and equip them with the necessary skills to take on jobs.
- *Jobs Growth Incentive (JGI),* which provides salary support for firms looking to hire new local mature workers who have not been employed for at least six months, persons with disabilities, and ex-offenders.
- *iBuildSG Scholarship and Sponsorship Programme*, which offers scholarships/sponsorships jointly with firms in the Construction sector to high-calibre students intending to pursue Built Environment courses at Institutes of Higher Learning.

8 The Government will continue to collaborate with the Construction and Process sectors to achieve their transformation objectives, including building up long-term capabilities to improve productivity and enhance their manpower resilience.

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Annex

Revised Levy Structure for Construction and Process Sectors from 1 Jan 2024

The new levy structure aims to support firms that adopt more productive technologies such as Design for Manufacturing & Assembly (DfMA), by lowering the levy rates for off-site construction. Higher-skilled (or "R1") workers will continue to be subject to lower levy rates to encourage firms to employ skilled and productive Work Permit holders (WPHs). The new levy rates will also encourage firms to diversify their WPH workforce by hiring workers from Malaysia, the People's Republic of China (PRC) and North Asian Sources (NAS)[2], which will be subjected to lower levy rates than Non-Traditional Sources (NTS) workers[3].

<u>Table 1:</u> Current and new levy rates for **Construction sector WPHs**

(i) Today's Construction levy rates for WPHs:

Skills level	**NTS and PRC**		**Malaysia, NAS**	**Off-site Construction**
	MYE Waiver	MYE		
Higher-skilled (R1)	$600	$300	$300	$300
Basic-skilled (R2)	$950	$700	$700	$700

(ii) New Construction levy rates for WPHs from 1 Jan 2024:

Skills level	**NTS**	**Malaysia, NAS, PRC**	**Off-site Construction[4]**
Higher-skilled (R1)	$500	$300	$250
Basic-skilled (R2)	$900	$700	$370

[2] North Asian Sources (NAS): Hong Kong, Macau, South Korea and Taiwan.

[3] Non-Traditional Sources (NTS): Bangladesh, India, Myanmar, Philippines, Sri Lanka and Thailand.

[4] BCA will announce the eligible DfMA facilities closer to 2024. For more information on BCA's current Off-site Construction special scheme, refer to https://go.gov.sg/bca-ocss
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Table 2: Current and new levy rates for **Process sector WPHs**

(i) Today's Process levy rates for WPHs:

Skills level	**NTS and PRC**		**Malaysia, NAS**
	MYE Waiver	MYE	
Higher-skilled (R1)	$600	$300	$300
Basic-skilled (R2)	$750	$450	$450

(i) New Process levy rates for WPHs from 1 Jan 2024:

Skills level	**NTS**	**Malaysia, NAS, PRC**
Higher-skilled (R1)	$300	$200
Basic-skilled (R2)	$650	$450

Frequently Asked Questions

1. How would firms know if the Dependency Ratio Ceiling (DRC) cut will affect them?

Firms will be affected by the DRC cuts from 1 Jan 2024 if they belong to the Construction or Process sector and the share of Work Permit holders (WPH) and S Pass holders in their workforce exceeds the DRC of 1:5 (which is 83.3%).

For example, if a Construction or Process firm has a workforce of 100 – where workforce refers to the sum of the local workforce, WPHs and S Pass holders – only up to 83 employees can be WPHs and S Pass holders. If the firm exceeds the limit, they will not be allowed to hire or renew more WPHs or S Pass holders, and they will have to hire more locals to qualify for a higher foreign worker quota.

Firms can check their quota balance for S Pass and WPHs on MOM’s website. An updated foreign worker quota calculator will be available on MOM’s website closer to 2024.

2. Can firms continue to keep their excess WPHs and S Pass holders if they exceed the new DRC of 1:5 after 1 Jan 2024?

To minimise business disruptions, firms exceeding the new DRC on 1 Jan 2024 will be allowed to retain their incumbent WPHs and S Pass holders until the work passes expire – so long as they remain within the previous DRC of 1:7 (which is 87.5%).

However, these firm will not be able to renew, or apply for new WPHs and S Pass holders, until they bring their firm’s workforce within the new DRC of 1:5. Firms are encouraged to plan ahead and start making preparations.

3. What does the dismantling of the Man-Year Entitlement (MYE) framework entail?

From 1 Jan 2024, main contractors will no longer need to apply for MYE to hire Non-Traditional Sources (NTS) or People’s Republic of China (PRC) workers based on the value of their projects or contracts awarded. There will also no longer be MYE and MYE-waiver levy rates. Instead, all Construction and Process WPHs will be subject to the new levy rates from 1 Jan 2024. This is in response to industry feedback for a simplified levy framework and will also make the process to hire NTS and PRC WPHs easier for the industry.

Firms can continue to apply for and use their MYEs up to 31 Dec 2023. Project contracts that have already been awarded or had tender calling date on or before 18 Feb 2022 will be allowed to use their MYE quotas up to 31 Dec 2024 or their project completion date, whichever is earlier.

4. Will the new levy rates apply to all WPHs from 1 Jan 2024, or only to the new WPHs that are employed after that date?

The new levy rates will apply to all WPHs from 1 Jan 2024. This includes all existing WPHs and WPHs employed after 1 Jan 2024. Firms can continue to apply for and use their MYEs up to 31 Dec 2023.

5. How will my existing MYEs be affected? What will happen to the MYEs that have already been allocated to my project before this announcement?

For ongoing projects as of 18 Feb 2022 (including projects awarded or with tender calling date on or before 18 Feb 2022)[5], they may not be able to factor in the levy changes into their contracts. These projects will be given a longer period to use up their MYEs, up to 31 Dec 2024 or their project completion date, whichever is earlier. Their WPHs will be subjected to the new levy rates from 1 Jan 2025 onwards.

For all other projects (i.e. projects awarded after 18 Feb 2022[6]), their MYEs will expire on 31 Dec 2023.

Firms are encouraged to plan ahead and use up their remaining MYE quota prior to expiry.

[5] This also includes In-Principle Support given on or before 18 Feb 2022.

[6] This includes projects with tender calling dates after 18 Feb 2022, as well as projects without a tender process.