

# Example by StudyDriver

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## Ministry of Manpower (MOM) Example

Singapore is a multiculturalism country where the total labor market consists 3.45 million people. Out of 3.45 million people, 1.3 million of them consists of foreigners mainly in the manufacturing and construction industry which does not appeal to most of the Singaporeans (Ministry of Manpower, 2013). As a country with no natural resources, Singapore relies on its human capital to sustain its economy. Foreign workers and talents are an important aspect in the human capital because of the low population of locals.

Ministry of Manpower (MOM), the leading government agency of Singapore, formulates and implement employment policies. The Employment Act in Singapore is the main labor law in Singapore and work in line with international labor legislation and standards. Under the Act, the contract of service must contain and state clearly the key components such as job designation, salary, work hours per week employee's benefits and conditions for termination of employment contact to eliminate any manipulation of terms by both the employer and employees. The Employment Acts however, does not covers all employees. It does not apply to Managerial and Executive positions where the person has authority or influence in hiring, promotion or reward. Workers with specialized skills who has the similar responsibility as a manager is also not covered under the act.

Domestic workers, seaman and most of the government staffs are also not covered under the Employment Act. Most hiring companies prefers foreign workers due to their low wages as labor costs contributes a huge percentage of the company's cost. Due to the relatively relaxed policies in hiring foreigners in Singapore, locals are expressing unhappiness and feel that foreigner are taking away their jobs and eroding the national identity.

Under Employment of Foreign Manpower Act (Chapter 91A), foreigners who wish to work in Singapore will need to apply for work passes. These passes are categorized under Employment Pass, S Pass and Work Permit. Employment Pass are issued to professionals who earn at least \$3300 a month and will be cancelled once the holder left the employer. S Pass are issued to mid-level skilled foreigners who earn at least \$2000 a month. Work permit are issued to low to mid-level skilled workers.

These different passes allow the regulating organization to keep track on the numbers of skilled to non-skilled foreign workers in Singapore to ensure that locals are also treated fairly in the hiring process. Levies and Foreign worker quota are also implemented to regulate the foreign workers in Singapore. A certain number of local workers will need to be met in order for the hiring company to hire 1 foreign worker. This is to ensure that firms will be fair in their hiring process and not discriminate and avoid hiring local workers. Foreign labors help boost Singapore economy however, due to the large numbers of foreign workers in Singapore, locals are being discriminated. Some of the firms which are operated by foreign management may prefer hiring their own countrymen or permit holders as opposed to Singaporean. An example would be a Swiss restaurant, La Fondue at Dempsey Road, which posted a discriminatory job advertisements that stated they only hire Filipinos (Tan, 2013). La Fondue was barred from hiring new foreign workers for 6 months and required a public apology to be published.

Foreign workers are attractive to most company in Singapore due to its low cost, however hiring company in Singapore will need to make an effort to consider Singaporean workers fairly. MOM recently have been phasing in measures to further tighten the hiring of foreigners after facing critic from Singaporeans. They imposed tighter measures to firms that have disproportionately low concentration of Singaporean workers at professional levels

and firms which favoring their own compatriots when hiring (Brinded, 2013). Due to the tightening regulations on hiring of foreign workers, these might affect the economic growth in Singapore due to higher labor costs. As labor cost increases, firms are forced to retrench workers, downsize or even move out of Singapore (Goh, 2013). Singapore's exports suffered a decline, losing its competitiveness to Malaysia and South Korea due to the tightening of foreign labors. Manufacturing firms like Alcotec have to cut down on the foreign workforce due to the regulation and cannot meet the demands of their customers (Chen, 2014). Hiring firms in Singapore focus on increasing the productivity of both locals and foreign manpower by sending them to training and upgrading programs. With the additional skills and knowledge, these enable them to be able to multi-task and lower the transaction costs of workers.

Multi-skilling of workers also enable communications to flow more efficiently and thus, lower any unnecessary costs to the firm (Lazear & Gibbs, 2009). Without strong human capital investments, firms will face shortage of manpower or high labor costs which may result in losing its competitiveness. Under the Enlistment Act (Chapter 93) Part VI, employer in Singapore have a duty to release and reinstate Singaporean National Servicemen (NSMen) for call-up for their reservist duties every year. Employers are prohibited to discriminate or dismiss any NSMen for reasons related to their reservist status. One of the reasons employers may avoid hiring Singaporean males is due to their National Service obligations. Every year Singapore males will be called up once or twice for 2-3 weeks for their reservist duties in the army.

Work disruptions and discriminations arises towards Singapore males due to these obligations (Koh, 2013). Most employers in Singapore understand the obligations of National Service in Singapore and try to arrange and adjust the workload of employed servicemen during their reservist (Tan, 2013). As there are no strong regulations to protect Singaporean males with NS obligations, in regards to competitiveness in the workforce, strong communication channel is very important for work to be handed-over during their reservists. A focus group discussion was also held by Ministry of Defense for employers to help them understand and strengthen the competitiveness of NSMen in their career. Employers are urged to remain supportive for NSMen and manage their commitments (Channel Newsasia, 2013). Smartphones are also allowed in some of the restrictive areas in

camps so that NSMen will be able to keep direct contact with their employers and colleagues.

Singapore is experiencing low local birthrates and aging population. These would affect the future workforce of Singapore if there are no foreign workers coming in. A statistic shows that by 2030, there will only be 2.1 working citizens for each citizen aged 65 and above (Our Demographic Challenges, 2014). Under the Retirement and Re-employment Act (Chapter 274A), employers are prohibited to dismiss any employees, before they attained the retirement age of 62, for a reason based solely on their age. Employees who reached the age of retirement should also be given re-employment options or an employment assistance payment if employees do not accept. These act protects the older workers from being discriminated due to their old age and also enable them to earn income and build up their retirement funds.

The main reason why most firms avoid hiring older workers is because they want employees to retain in the firm for a long period of time (Silliker, 2013). Younger managers are also finding it difficult to manage older workers due to the culture of Singapore where the younger generations are supposed to respect the seniors (Toh, 2013). However, there are also advantages in hiring older workers due to their experience and exposure in the workforce. Older workers make excellent mentors and role models to younger workers in the firm which helps in the training of employee. Older workers also possess confidence in their abilities which allows them to make better decisions and sharing ideas (The Daily Post, 2013). Michael Smith, director of Randstad Singapore, states that in order to maintain the low unemployment rate, employer must have strong human resource policies to welcome the older workers and providing them with training to increase their productivity (See & Ramesh, 2013). Hiring firms in Singapore should be transparent over the wage negotiation with older workers as most of the older workers demand high salary and compensation perks due to the overconfidence in their abilities (McGrory, 2012). Firms also offer flexible work arrangements for older workers as their goals differs as they age and these would encourage them to stay longer and avoid absenteeism in the firm, reducing high turnover (Koc-Menard, 2009). The legal framework of employment in Singapore influenced many firms to increase productivity of employees and retention of older workers. Firm with heterogeneous workforce also tend to be more competitive due to shared experience and social norms among employees. These benefits both the firm and the workers and

also the economic growth and social aspects of Singapore.

Foreign workers are important in Singapore's workforce but employers need to execute a fair and ethical hiring practices to ensure an efficient working environment and remain competitive. Singapore employers also faces a unique challenge on NSMen but if communications channel are efficient, workloads are being handed-over efficiently and they can be as productive as other employees.