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Govt decries CECA violation by Singapore

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New Delhi, 17 February 2013: Those of you planning to make it big in Singapore might be in for a setback. Singapore recently made certain changes to its Employment Pass Framework law to reduce inflow of foreign workers significantly to create more job opportunities for local professionals. The move is expected to impact even those Indians working there at present across various sectors.

The amendments, made on a proposal by its Ministry of Manpower, has armed the Singapore government to bring down the foreign share of the total workforce to around one-third while encouraging employers to invest in productivity in return for incentives in the form of tax breaks.

The move came as a recent Singapore's policy paper predicted that its population would grow by 30 per cent to 6.9 million by 2030, with immigrants making up nearly half that figure. The paper led to demonstrations in Singapore yesterday, a rare happening in the country, in protest against rise in immigrants.

The step has irked India as the new law does not give India a preferential treatment incorporated in the Comprehensive Economic Partnership Agreement (CECA) between the two countries, operational since 2005. This stance by the Singapore Government is expected to affect Indians working as middle-level managers, executives and technicians.

Speculations are rife that India might take up the issue with World Trade Organization's (WTO) dispute settlement body. However, according to Singapore such a decision was imperative in the interest of the natives as the share of the foreign workforce is rising very rapidly.

"The one-third is a long term target and we have not imposed quotas as such for any country. Of course, the end result is still a reduction of the current foreign workforce numbers. But in doing so, I do not think we have contravened our commitments in the WTO or the CECA. Moreover, this is not specifically targeted to any one country. We remain very open to foreign talent," a senior Singapore government official told Business Standard.

According to the Singapore government, the demand of Employment Passes (EP) has surged since its economic recovery in 2010, necessitating such a step.

There are three types of professional passes under EP – Q1, P2 and P1, depending on the kinds of jobs. As per the new law, the qualifying salary thresholds for Q1 and P2 Passes have been raised from $2,800 to $3,000, $4,000 to $4,500 respectively, while for P1 it remains unchanged at $8,000. The educational qualifications requirements have also been tightened under the Q1 Pass category. Foreign professionals who are already working at present would have to earn even higher salaries to retain their work permits.

The Singapore government is taking these measures--raising the salary ceilings of employment passes or increasing the work permit levy-- to increase cost for companies to bring in foreign talents. Additionally, it will offer incentives to those companies in the form of tax breaks for using high-end technology to do the same job instead of being dependant on labour.

Both India and Singapore are currently reviewing the CECA , the talks for which started in 2010. But it has been stuck ever since over various issues, and now this law is all set to create further hurdles.

According to Indian officials involved in the negotiations, this is a violation of the services trade agreement under CECA. This will also adversely affect Indians who are working there as it might lead to job losses, especially for the middle level workers.

India has submitted a request to Singapore for addressing the matter but has not received a formal communication yet.

Currently, there are about 2,00,000 non-resident Indians in Singapore working in ITES, financial services and scientific research sectors among others, according to one estimate.

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