

Financial Inclusion of Migrant Workers in Singapore

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Introduction

Of the over 164 million migrant workers in the world in 2017, the International Labor Organization (ILO) estimates that 20 percent are located in Asia. Specifically, Singapore and Japan are two of the largest hosting countries, with up to 1.4 million migrant workers in each of these advanced economies, mainly hailing from Southeast Asian countries with less opportunities for high-paying employment like the Philippines, Vietnam, Thailand, and Indonesia. This population, and the remittances they send, are crucial to the economies of both the host country and the home country, not to mention the individual families that rely on the steady incomes earned abroad and sent home via bank accounts, brokers, remittance mobile applications, or even regular mail each month.

Historically, migrant workers (hereafter referred to as MWs) have very little access to financial services; the majority are unbanked and rely on black market providers which specifically target migrants for short-term loans and remittances. However, cross-border money transfer is an intricate, heavily-regulated industry with many actors, and recently is gaining much attention given the increasing financial transactions each year and subsequent profit opportunity for any who can facilitate those transactions, particularly as margins can reach as high as 10 or 15 percent of the transaction amount. Recently, startups such as Hong Kong-based EMQ, new arms of other industries like the telecommunications giant Singtel, and traditional banking institutions are all eyeing this market opportunity and developing mobile money applications to fight for their share of the migrant pie.

This research seeks to examine the current status, barriers, and potential solutions of the financial inclusion of migrant workers in Singapore, in the context of migrant workers throughout Asia. First, what is the extent of MWs' financial inclusion or lack thereof, and what measurable impact does that have on their lives in terms of economic situation and social mobility? Second, who are the actors trying to increase their financial inclusion, what challenges are they facing (excessive regulation, low uptake due to lack of awareness or trust, etc.), and how can those barriers be eased? Essentially, how large is the issue of MWs' lack of financial inclusion, and how can it be solved most effectively?

This research is important given the scale of its impact on national economies, the global economy, and individuals. In 2018, migrants contributed \$689 billion in remittances, of which \$528 billion was sent to developing countries, driving their economic development. Moreover, each major aspect this research involves is growing rapidly in both amount and impact, including the global migrant population and remittance market, the economies of Southeast Asian countries, and the digitization of financial services. The financial inclusion of migrant workers is the intersection of these three major global trends, and will continue to grow increasingly relevant in academia, business, and most importantly, human lives and society. Particularly as the current COVID-19 pandemic is sweeping the globe and transforming the behaviors of both consumers and firms, access to financial services is increasingly dependent on online channels, which creates large burdens for migrants but also contains the potential to shift the market to a more migrant-friendly and efficient system long-term.

Background on Migrant Workers in Singapore

Researching the issue and status of MWs in Singapore is convoluted and begins with the definition itself of "migrant worker." Singapore, like many other Asian countries with high foreigner populations, maintains a

highly hierarchical and distinct system of categorizing foreigners, with its own taxonomy. Of an overall population of 5 million people living in the small city-state, three million are either Singaporean citizens or Permanent Residents, and the remaining two million are considered foreigners, or non-residents. Foreigners are further broken down into socioeconomic groups based on the visa they arrived on; of the two million, a certain percentage are considered “foreign talent” — white-collar, college-educated foreigners with a minimum annual salary of S\$5,000 per month who hold an Employment Pass — while the rest are called “foreign workers.” This term encompasses people on two different visa statuses: the S Pass, which requires a minimum salary of S\$2,500 per month and generally consists of semi-skilled laborers; and lastly, the Work Permit, holders of whom generally earn between S\$1,000 and S\$2,500 per month through low-skilled labor. This final category is the focus of this paper, as they are most excluded from Singapore’s financial system.¹

Singapore has the highest proportion of immigrants in Asia; from 1978 to 2012 the country’s dependence on unskilled labor increased by 10 times. Roughly one-third of foreign workers are female domestic workers, largely from Indonesia and the Philippines; one-third are male construction workers, largely from South Asian countries like India, Bangladesh, and Sri Lanka; and the remaining third work in an amalgamation of marine and other industries. Workers are actually restricted to certain industries depending on their nationality: the “traditional foreign worker” category refers to Malaysians, who along with Chinese workers have the most freedom and job mobility; the “non-traditional” category encompasses South Indians and other Southeast Asians, who are all restricted to one or two industries. For example, Indians and Bangladeshis must find work in construction or marine, whereas other nationalities must pursue service or manufacturing jobs.²

Foreign workers in Singapore, as in many other countries, face extremely difficult migration barriers, working conditions, and living conditions. First, the cost of finding a job in Singapore and migrating is enormous, up to S\$10,000 per job, with an average monthly salary that can range from S\$500 to S\$2,000 after deductions. Because few migrants have the funding to pay this sum up-front, many fall into a “debt trap” with their labor brokers, whom many in the academic and public sector communities decry as loan sharks. Once securing a position and starting that job, foreign migrants’ working conditions are largely unregulated, and living conditions in particular can be extremely dismal and even dangerous. Recent COVID-19 outbreaks in the employer-arranged migrant worker housing has amplified awareness of this issue in particular in the past couple years, given that by July 2020, 94 percent of Singapore’s 44,000 COVID-19 cases occurred in these forms.³

Beyond tangible treatment, MWs also face largely negative connotations, stereotypes, and discrimination. In the words of former Prime Minister Lee Hsien Loong, “[Singapore] should make an important distinction between foreign workers...and citizens. Foreign workers are transient. We need them to work in the factories, in the banks, hospitals, shipyards, construction projects. When the job is done, they will leave. When there are no jobs here, they will go...So, please bear with the larger numbers for the time being.”⁴

¹ Chan, Aris. “Hired On Sufferance: China’s Migrant Workers in Singapore.” *China Labour Bulletin*, Research Reports, Feb. 2011.

² Hamid, Wajihah. “Feelings of Home amongst Tamil Migrant Workers in Singapore’s Little India.” *Pacific Affairs*, vol. 88, no. 1, 2015, pp. 5–25., <https://doi.org/10.5509/20158815>.

³ Chin, Neo Chai. “New Laws in Singapore Appear to Give Employers ‘Almost Unfettered Power’ over Migrant Workers’ Movements, Say Ngos.” *Eco, Eco-Business*, 4 July 2020, <https://www.eco-business.com/news/new-laws-in-singapore-appear-to-give-employers-almost-unfettered-power-over-migrant-workers-movements-say-ngos/>.

⁴ China Labour Bulletin, footnote 5.

Member of the Singaporean Parliament and Co-Chairman of the NTUC-SNEF Migrant Workers Center Yeo Guat Kwang expressed similar sentiments: “When we look at the migrant workers’ issue, we are not looking at it from the perspective of human rights. We are looking at it on a need basis.”⁵

This is not to say that migrant workers are wholly despised or seen as lower than Singaporean citizens. Inaugural Prime Minister Lee Kuan Yew, known as the Father of Singapore, gave qualified praise to the work ethic of migrants: “[Immigrants] will do many jobs better than the next generation Singaporean would because the next generation Singaporean will have been brought up in an easier environment that has not deprived him of enough basic necessities to make him really want to work so hard.”⁶ Yew, among others, partially attribute Singapore’s rise from a poor developing country in 1965 to the fourth wealthiest country in the world to temporary migrants, who made up 37 percent of Singapore’s workforce from 2010 to 2017.⁷

The public seems to hold largely similar views, grudgingly acknowledging the positive impact and even necessity of MWs to their country’s growth and current status, as well as a qualified support for improving their working and living conditions. EAP201’s 2020 study showed a not-insignificant public leaning toward improving migrant welfare and salary benefits, with 83 percent of Singaporean respondents agreeing that they “recognize the welfare of migrant workers as a public health and safety concern” and 80 percent believing that Singapore has a moral obligation to protect workers’ welfare upon arrival. Moreover, 40 to 50 percent would be willing to pay up to 20 percent higher premiums for contractors that treated migrant workers better. However, at the same time, 62 percent of Singaporeans believe that the government is currently doing enough to establish this support. And while 71 percent reported that they would accept an undetermined trade-off for subsidized healthcare for MWs, only 22 percent would specifically accept higher taxes.⁸ Similarly, according to a 2019 UN study, 60 percent of Singaporeans think that migrant workers should not receive the same pay and benefits as locals.⁹

Overall, there is not enough research, academic or policy thought, or public attention given to the issue of migrant workers in Singapore. Although a study of Singaporean citizens revealed high self-rating (65 percent of respondents) of awareness of migrant issues, most cited state news sources and mainstream media as the source of this awareness, and high knowledge levels corresponded with negative sentiments toward foreign workers. Moreover, key stakeholders in this topic agree that there is a deficient amount of demographic, medical, and financial information available on MWs in Singapore — not unlike the rest of the world, unfortunately. This paper seeks to help remedy that, diving deep into Singaporean migrant workers’ financial lives, in the context of the migrant life overall, to seek understanding of deeply-rooted issues as well as potential solutions to those issues.

⁵ Ibid.

⁶ Nowrasteh, Alex. “Singapore’s Immigration System: Past, Present, and Future.” Cato Institute, Oct. 2018, https://doi.org/10.1163/2210-7975_hrd-9985-20180003.

⁷ Ibid.

⁸ Skanthakumar, Thakshayeni. “Building Bridges: Improving the Lives and Livelihoods of Migrant Construction Workers in Singapore.” The Majority Trust, LEAP201.

⁹ Geddie, John, et al. “Singapore’s Migrant Workers Fear Financial Ruin after Virus Ordeal.” Reuters, Thomson Reuters, 9 June 2020, <https://www.reuters.com/article/us-health-coronavirus-singapore-migrants-idUSKBN23G1PG>.

Methodology

My research of this topic is three-fold in approach and type of source. The first is a simple literature review of existing academic and private research and data on migrant workers in Singapore, as few as they may be. This allowed for a contextualized background on their lifestyle and history of migration.

The second type of source is non-academic news and other reports, papers, and other informational mediums. News articles provided insight into the status of this issue today, as well as the depth of awareness and understanding in the general public, including books that are only available in print in the National Library of Singapore. These books proved particularly helpful, as they included more detailed information and greater variety of perspectives than most academic or other material available online or in any country besides Singapore. For example, multiple books or pamphlets consisted of first-hand accounts of MWs, either in interview format or testimonial format, such as the publications “Our Homes, Our Stories” by Karien Van Ditzhuijzen or “Stranger to Myself” by Sharif Uddin. Other print materials included government surveys and policy descriptions, such as “Survey on Overseas Filipinos” by the Philippines National Statistics Office, and “Singapore: The Fintech Nation” which includes interviews with 57 founders and enablers, as well as a chapter written by Chief Fintech Officer, Monetary Authority of Singapore, Sopnendu Mohanty to represent the regulatory environment.

My third type of resource is first-hand interviews with migrant workers and other relevant parties, as well as first-hand observation of relevant places in Singapore. Through a combination of in-person interaction and online mediums such as Whatsapp and email, I spoke directly with 10 migrant workers, as well as a representative from the Ministry of Manpower (MoM; Singapore’s department of labor), the former manager of a major remittance company, a Fulbright scholar researching migrant domestic workers in Asia, a Taiwan-based nonprofit for migrant services, and an investigative journalist at Asia-focused media organization The Reporter¹⁰. Finally, I observed certain locations where MWs frequent for social or other reasons: Lucky Plaza, a mall in Singapore Central area where Filipino and Indonesian migrants often congregate, shop, and send remittances; People’s Park Complex, a similar mall in Chinatown for Chinese migrants; and Little India, a neighborhood similar for South Asian migrants.

As I researched the complex issues surrounding the financial inclusion of migrant workers in Singapore, or lack thereof, I realized that their systemic financial struggles were inextricably tied to systemic economic issues. That is, the availability and accessibility of various financial services to MWs were less pressing and less relevant without first addressing economic practices that would enable MWs to require those services. In light of this, I shifted focus slightly to include the migrant economic ecosystem as a necessary foundation and enabler of the migrant financial ecosystem.

Thus, based on information and research from the above sources, I am publishing this paper as an interdisciplinary report on a) the current status and issues of migrant worker finances, b) the financial and socioeconomic causes of said issues, and c) recommended actions and solutions for both financial and other actors.

¹⁰ The Fulbright scholar is Michelle Phillips, the journalist is Yung-Ta (Darren) Chien; and all other interviewees declined to be named.

Financial Inclusion: Current Status and Pain Points

I categorize the various issues surrounding migrant workers' reduced access to Singapore's financial system into two pain points. The secondary issue is *financial disinclusion*, lack of access to financial services such as remittances and secure savings and investment. The primary issue is *financial disclusion*, which goes beyond disinclusion to not only not provide adequate financial services, but also systematically block MWs from participating normally in the financial system itself.

Financial Disclusion

The financial disclusion of migrant workers in Singapore takes two major forms: unstable salary payment, and abusive loans.

As Vice President of the arguably largest and most prominent migrant-focused nonprofit, Transient Workers Count Too (TWC2), Alex Au reveals that the majority of migrant workers' complaints and requests for help to their organization are not dorm or living-related, as Singaporean citizens often expect, but rather salary-related.¹¹ A publication by the Catholic Institute for International Relations investigating Filipino foreign domestic workers concurred that their most common problem overall is underpayment or no salary payment.¹² Beyond starting with a basic monthly salary of roughly S\$400-600, which is reduced by S\$100-200 for dorm fees,¹³ MWs often encounter salary delayment, underpayment, and no payment. Although Singaporean law states that salary payments must be disbursed no later than 7 days after the agreed salary period and overtime payments no later than 14 days after, it is common practice for employers to withhold wages up to months later. Many employers also deduct high fees from the salary, including deductions for recruitment (which is illegal) and for income taxes (which is inapplicable for annual salaries under S\$20,000). Despite the Singaporean Employment Act establishing that employers can deduct only a maximum of 50 percent of the salary, is it not uncommon to see deductions far beyond that.¹⁴

Table 5. Basic salary record (in Singaporean dollars) for Chinese workers at a Singapore construction site, May 2010

Staff ID	Name	Days of Attendance	Basic Salary	Meals	Tax	Accommodation	Utilities	Actual salary paid
xx	xxx	31	806	-120	-50	-250		386
xx	xxx	30	767	-120	-50	-250		347
xx	xxx	31	806					686
xx	xxx	31	806					686
xx	xxx	12	312	-48				264
xx	xxx	28	728	-112				616

Image Source: China Labor Bulletin, 2011

Moreover, any dispute of salary underpayment or non-payment is extremely difficult to file, substantiate, and enforce the court verdict. The labor dispute process itself is convoluted, with little to no assistance, and often little to no multi-language access. Even with nonprofit volunteers assisting MWs file, it is

¹¹ Au, Alex. The Trouble with Foreign Workers. Epigram Books, 2020.

¹² The Labour Trade: Filipino Migrant Workers around the World. Catholic Institute for International Relations, 1987.

¹³ The Trouble With Foreign Workers (footnote 11) states that the average salary is S\$600, which is reduced to S\$470 after dorm fees; the SCMP concurs that monthly average salary is S\$600 or less.

<https://www.scmp.com/week-asia/economics/article/3086751/singapore-ngos-call-rethink-migrant-workers-salaries-health>; the nonprofit HOME also concurs that average monthly salary is S\$400-600, which can rise to S\$1,000 including overtime pay, with a S\$200 deduction for dorm and food.

¹⁴ China Labour Bulletin, footnote 1.

near impossible to provide sufficient evidence to hold up in court, as many MWs do not receive official records of their salary disbursements, nor do they hold a copy of their work contract. Finally, even if the MW proves their case and is granted remedial compensation, there is little enforcement from the Ministry of Manpower to ensure that the employer implements such compensatory action.

Beyond wage issues, migrant workers face severe loan abuse. 90% of MWs that come into contact with TWC2 have to pay high fees for their job placement, up to 20 times their monthly salary to agents¹⁵. MoM uses a data analytics tool to find “unusual hiring practices,” and found over 800 cases of unlawful labor broker companies and agents from 2014 to 2019, but crackdown is difficult as the most companies use a complicated system of sub-brokers and sub-agents, allowing responsibility for any misdeeds to fall through the cracks, as well as allowing for any company that gets shut down to easily continue under a different name. An Experian report found that one third of foreign domestic workers in Singapore hold debt of on average 4.5 times their monthly salary, taking an average of 28 months to clear. Over a third of this debt is from the “unstructured sector,” composed of unlicensed lenders such as loan sharks. HOME reinforced that many South Asian migrants in particular hold heavy loans, S\$7,000-10,000, while Chinese migrants generally hold less debt. This is in the face of a legal loan limit for low-income foreigners in Singapore passed in November 2018, as well as Singaporean labor laws that require the employees rather than the migrants to pay for migration costs including hiring, training, and official paperwork.¹⁶

These loans, which for many MWs are a necessary precondition to being able to work in Singapore, create a restrictive debt cycle that leaves MWs more vulnerable to unfair work conditions, verbal and physical abuse, and poor mental health in Singapore. Moreover, it creates long-term issues back home, such as zero life savings, mortgaged or sold land or property, and loans from relatives and friends in the home country in addition to their loan to labor brokers.¹⁷

Financial Disinclusion

_____ The secondary financial pain point of MWs in Singapore is financial disinclusion: the lack of access to existing financial services, mainly remittances and savings and investment tools.

MWs contribute an astounding amount of remittances to the economies of their home countries, also benefiting the host country of Singapore. In 2018, foreign domestic workers contributed US\$8.2 billion to the Singaporean economy, making up 2.4 percent of Singapore’s GDP. Of that US\$8.2 billion, US\$931.5 million was remitted to Indonesia (US\$422), the Philippines (US\$280), and other countries (US\$229).¹⁸ Migrant workers overall from Singapore, Hong Kong, and Malaysia (including industries besides only domestic workers) contributed US\$1.1 billion to both the Philippines and Indonesia, as the need for both caretakers and other foreign labor is increasing.¹⁹

¹⁵ Hermesauto. “St Closeup: How Foreign Workers Are Illegally Recruited in Singapore.” The Straits Times, 3 June 2021, <https://www.straitstimes.com/singapore/migrant-burden-how-foreign-workers-are-illegally-recruited-in-singapore>.

¹⁶ Experian. “Migrant Domestic Workers in Singapore Contribute Almost 2.4% of GDP but Face Challenges in Managing Their Finances.” Experian Singapore, <https://www.experian.com.sg/migrant-domestic-workers-in-singapore-contribute-almost-2-4-of-gdp-but-face-challenges-in-managing-their-finances>.

¹⁷ Home. “Migrant Workers’ Recruitment Fees and Debts: A Brief Primer.” HOME, HOME, 1 June 2020, <https://www.home.org.sg/statements/migrant-workers-recruitment-fees-a-brief-primer>.

¹⁸ Experian, footnote 16.

¹⁹ Ibid.

On a personal level, individual MWs generally remit as much of their salary as they can spare, which results in remittance amounts ranging from S\$500-1,500 per month.²⁰ Of these remittances, 84 percent are through money transfer services, 31 percent through bank transfer, 9 percent through family or friends directly, and a negligible amount through online services (whereas in Hong Kong, 20 percent of transactions occur online).²¹ Money transfer services are often non-bank institutions, and in particular population groups, not even formal or official financial channels. For example, 95 percent of Bangladeshi MWs remit money through the *bundi* system, a network of person-to-person cash transfers through agents called *bundiwalas* who manually carry high-value goods across the border.²² Many Pakistani and Indian MWs also use informal channels such as the *bundi* system, as do Filipinos with the “Money Courier Industry” system.²³ Without proper banking, most MWs send cash; of the total 138.5 billion pesos remitted from Singapore to the Philippines, 102.5 billion are sent in cash.²⁴

The lack of access to formal remittance channels proves difficult for MWs both in practice and in security. MWs are required to physically go to remittance counters, such as those in Lucky Plaza, Little India, or People’s Park Complex, wait in line, and give cash each time they want to remit money, which is generally every month or every other month. Due to low record-keeping and lack of official oversight, any fraudulent transactions are extremely difficult to report and remedy, and MWs often indirectly pay for the low-barrier-to-entry with high hidden fees. For example, money transfer organizations (MTOs) like Western Union or MoneyGram include hidden fees and an unfavorable exchange rate.²⁵ Ethnicity-based remittance companies account for 60 to 75 percent of the remittance industry, and generally have more straightforward and transparent procedures and exchange rate, but still cost around S\$15 per transaction.²⁶

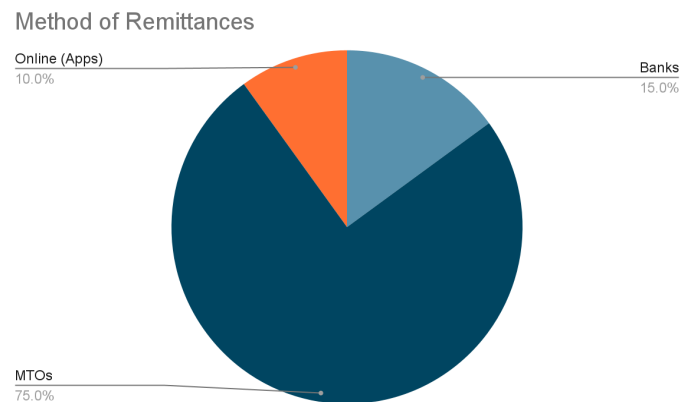


Image Source: Interview with anonymous source

²⁰ Survey on Overseas Filipinos (Philippines National Statistics Office, 2009), reports an average of 56,000 pesos remitted per capita (roughly S\$900). Fintech Remsea gives an estimate of S\$500 per month for a Bangladeshi construction migrant worker, as reported by Strait Times, <https://www.straitstimes.com/singapore/free-and-easy-way-for-migrant-workers-to-remit-money>. Interview with an anonymous source at a Singaporean remittance company states that the average remittance amount is S\$1,000 per month.

²¹ Experian, footnote 16.

²² Rahman, Md Mizanur, and Yeoh Brenda S A. The Social Organization of Remittances: Channelling Remittances from East and Southeast Asia to Bangladesh. Asian MetaCentre, 2006.

²³ Ahsan, Ullah A K M. Rationalizing Migration Decisions: Labour Migrants in East and South-East Asia. Taylor and Francis, 2016.

²⁴ Survey on Overseas Filipinos 2009: A Report on Overseas Filipino Workers. Philippines National Statistics Office, 2009.

²⁵ Ahsan, footnote 23.

²⁶ Interview with an anonymous source from Singaporean remittance company.

Overall, the remittance options for MWs all have their own issues. Sending cash through the post is banned, and any money will be confiscated upon delivery. Banks are generally avoided due to high fees, as well as lack of bank account and lack of knowledge of how to navigate bank procedures. Mobile or online remittances are also viewed as maintaining poor exchange rates, as well as lacking the social trust built by friends and acquaintances using the same service. Thus, it is no surprise that over-the-counter remittance companies account for the majority of remittances; however, especially during COVID-19, using these services still presents challenges.

Finally, even after remitting money home for years, many MWs still do not generate the savings that they expect or need to improve the lives of them or their families. This is largely due to a lack of savings and investment. Bangladeshi construction worker Uddin worked four different jobs for multiple years in Singapore, with dreams of opening a bookstore in Bangladesh's capital Dhaka; however, after one or two years working in Singapore, his dreams faded away as he realized that he is many years from saving enough money to increase his standard of living back home, much less open a new business.²⁷ In fact, research shows that only 6 percent of MWs have saved enough by the time they return home after years of working in Singapore.²⁸

MWs often hold their savings in cash or in a simple savings account: 76 percent send savings to their home country, with half in cash and half in a savings account. Only 5 percent of MWs reported investing their earnings into a mutual fund or fixed/term deposit. Moreover, remittances are generally spent on basic necessities such as household expenses (59 percent), property purchase (7 percent), or healthcare (5 percent), with only a small remainder spent on categories that will improve their financial status long-term such as education for themselves or their children (25 percent) or investment (2 percent).²⁹ Of Filipino female foreign domestic workers in 2011, 80 percent held savings, but on average less than US\$1,000; and nearly half of these women reported that they had no control over how their remittances were spent back home.³⁰

All of these pain points — financial disclusion of abusive wage and loan practices, and financial disinclusion of hard-to-access remittance and savings services — intertwine in negative synergy to exclude MWs from the Singaporean economic and financial ecosystem. The reverberating impact of this exclusion hurts individual migrant workers severely, as well as their families back home, economies of the home countries, and the financial and socioeconomic system of Singapore itself.

Analysis of Financial and Socioeconomic Causes

The primary and secondary issues of migrant workers in Singapore — financial disclusion and disinclusion — have two main causes respectively: an inadequate (bordering on abusive) labor system, and financial illiteracy.

²⁷ Reuters, footnote 9.

²⁸ Ang, Vivien. Equipping Migrant Domestic Workers with Financial Skills. *The Business Times Singapore*, 17 June 2019.

²⁹ Experian, footnote 16.

³⁰ "The Impact of Financial Education for Foreign Domestic Workers in Singapore: The Abdul Latif Jameel Poverty Action Lab." The Abdul Latif Jameel Poverty Action Lab (J-PAL), <https://www.povertyactionlab.org/evaluation/impact-financial-education-foreign-domestic-workers-singapore>.

Inadequate Labor System

A variety of factors, both socioeconomic and financial, contribute to a less-than-ideal labor system that leaves many MWs vulnerable to abuse — abuse by their job brokers, and abuse by their employers — with little options for recourse.

First, Singapore holds no minimum wage, and what little regulations they do have on employment fees and maximum hours worked per week are rarely enforced. This enables the industry to operate on a harsh supply and demand basis where the supply of willing and even desperate migrants from all over the world outnumbers the labor demand, allowing employers to pay wages as little as S\$18 per day and treat workers poorly.³¹

Moreover, the Singaporean visa system leaves MWs entirely dependent on their employer for the right to remain in Singapore, with little immigrant status protections compared to other countries. Unlike skilled and semi-skilled workers on the Employment Pass or S Pass, and unlike MWs in other countries who have weeks or months to find new employment, MWs on the Work Permit may only stay in Singapore for a few weeks after their employment ends.³² This includes sudden termination, giving employers the power to effectively deport their employees at any time, which of course disincentivizes MWs from protesting any unfair treatment. Employers are also considered responsible for the social and moral behavior of the MWs that they employ; a “security bond” of S\$5,000 per migrant worker employee is charged to employers, ostensibly to ensure that MWs do not commit “crimes” such as disturb the public peace, commit robbery or violent crime, or even get pregnant.³³ Thus, employers are not only enabled but also incentivized to strictly oversee all aspects of their employees’ personal lives, which in many cases translates to a heavy restriction on personal freedoms. For example, after COVID-19 hit migrant workers disproportionately in Singapore within the first few months of the pandemic, a new law required that MWs obtain consent from their employer in order to leave their employer-arranged dormitory, leaving many MWs banned from leaving whatsoever — a strict lockdown that the rest of Singapore was not subject to.³⁴

Many MWs lack of bank accounts also leaves them vulnerable to abuse, particularly in salary mispayment. As of 2019, half of foreign domestic workers in Singapore did not hold a bank account, which is a significantly higher percentage of unbanked than neighboring Malaysia, who has less strict banking requirements and a resulting lower unbanked foreign domestic worker rate of only 14 percent. Singapore’s unbanked population is largely due to the barriers of opening a bank account: many MWs lack the necessary employment documents (45 percent of MWs), do not have enough savings to satisfy the minimum balance requirement (38 percent), and cannot provide employer presence. Many MWs also do not see the need for an account, especially since many receive their salaries in cash; and up until a recent MoM regulation in 2019, many MWs salaries were mandatorily held by their employer.³⁵

³¹ Pacific Affairs, footnote 31.

³² Banados, Papias Generale, and Kalinga Seneviratne. The Path to Remittance: Tales of Pains and Gains of Overseas Filipino Workers. Global Eye Media, 2011.

³³ China Labour Bulletin, footnote 1.

https://clb.org.hk/sites/default/files/archive/en/share/File/research_reports/Hired_on_Sufferance_ebook.pdf

³⁴ Chin, footnote 3.

³⁵ Experian, footnote 16.

However, the lack of a bank account, as well as employers' reliance on cash for salary disbursement, is detrimental to both MWs individually as well as the system as a whole, since most employers do not keep as robust financial records with physical cash. Consequently, 89 percent of salary disputes involve MWs paid in cash.³⁶ Moreover, COVID-19 amplified these issues once again: within months of the pandemic disrupting usual cash transactions, 50,000 MWs could not collect their salaries due to their unbanked status.³⁷

Finally, MWs inability to access loans through formal financial channels, coupled with their almost universal need for large loans due to the inflexible migration system and costs, forces them to systematically accept unfavorable loans from their job broker, often getting caught in a debt trap that takes them multiple years to pay off — which led to significantly lower remittances in 2018 than in the previous five years due to higher loans and fees on average. The most common reason for debt is broker and migration fees, leading to 73 percent of foreign domestic workers being in debt before they even arrive in Singapore. Of these loan-holders, 73 percent receive loans from employers or the unstructured sector; only 38 percent receive from commercial banks, as reliance on formal institutions like banks is correlated with bank account ownership.³⁸

This high debt, as well as lack of loan options, leaves MWs desperate. Many only receive S\$10-15 per month until they are able to pay off their agency debt,³⁹ which can take over two years.⁴⁰ Some Indonesian workers are able to obtain loans from the Indonesian embassy, which partners with banks and employment agencies on behalf of their citizens; however, not everyone can receive these, and it is rarely enough to cover the entirety of their migration costs.⁴¹ This vacuum of loan access also creates gray market opportunities for informal loans beyond those from family and friends. Rita, a Filipino domestic worker in Singapore, microlends to other Filipinos at 10 percent interest per month, which according to her is a common side gig among Filipino maids, and even how the institution Grameen Bank first started. MWs lend up to four months of salary to other MWs in their network, often at 15 percent interest.⁴² Informal remittance channels, such as *bundi* dealers, also sometimes provide small loans, but rarely before arrival in Singapore, when funds are most needed.⁴³

Financial Illiteracy

Lack of financial literacy, including basic digital literacy, is an issue for most MWs in Singapore that compounds and intertwines with all of the above issues, creating a high barrier for many of the potential solutions that policy makers and other private or public sector stakeholders might otherwise implement. A significant portion of unbanked MWs cite lack of digital literacy as a major reason for not opening a bank account (24 percent)⁴⁴, and the MoM cites lack of IT literacy as the primary reason for not creating a migrant job portal (which otherwise has high approval from relevant experts), even if it was in MWs' own language⁴⁵.

³⁶ "Singapore Ngos Call for Rethink of Migrant Workers' Rights." South China Morning Post, 31 May 2020, <https://www.scmp.com/week-asia/economics/article/3086751/singapore-ngos-call-rethink-migrant-workers-salaries-health>.

³⁷ Ibid.

³⁸ Experian, footnote 16.

³⁹ Banados, footnote 32.

⁴⁰ Experian, footnote 16.

⁴¹ Home, footnote 17.

⁴² Banados, footnote 32.

⁴³ Rahman, Md Mizanur, and Yeoh Brenda S A. The Social Organization of Remittances: Channelling Remittances from East and Southeast Asia to Bangladesh. Asian MetaCentre, 2006.

⁴⁴ Experian, footnote 16.

⁴⁵ The Straits Times, footnote 15.

Globally, the Poverty Action Lab reports that only 30 percent of women worldwide are financially literate, leaving the remaining 70 percent unable to adequately access financial services such as banking, loans, investment, and other services.

Moreover, financial illiteracy and lack of financial inclusion create a negative self-perpetuating cycle: without access to financial services, MWs have little incentive or opportunity to learn financial skills; and without financial skills to access those services, MWs are often ignored by financial providers who might otherwise cater to MWs financial needs. An ADBI study in 2020 revealed that financial literacy and adoption of digital finance options in Vietnam was heavily correlated; that is, those who used e-banking, e-payment, or e-transfer had 13 percent higher financial literacy scores when tested. It is perhaps a natural linkage that those who are financially literate are more likely to use financial services, but the data also suggests that the act of using those financial services itself increases their financial literacy.⁴⁶

The lack of financial literacy is not only detrimental in preventing MWs from accessing services, but also prevents them from knowing *how* to use those services to best manage their finances. Over half of MWs in Singapore store their savings in cash (56 percent) and in their home country (76 percent), with only 5 percent storing in a growth-based medium.⁴⁷ Up to 30 percent of female foreign domestic workers did not even know the amount of their savings that they had remitted home, and half felt that they had no control over how those remittances were spent. On average, these MWs held less than S\$1,000 in total savings, and 20 percent held no savings at all.⁴⁸

This haphazard and cash-heavy savings method leads to long-term stagnancy and prevents MWs from raising enough funds to significantly alter their standard of living and economic class. Despite high hopes of escaping poverty through a family member sent abroad to work in Singapore and send money home, less-than-optimal management of those funds disrupts this dream and many families are left barely better off than when they started. A study by Poverty Action Lab reinforced that Filipino households were able to leave poverty and send children to school when they proactively invested their remittances in business opportunities rather than just savings accounts, highlighting the necessity for the financial literacy and skills to make those long-term rather than short-term investment decisions.⁴⁹ This pattern not only affects individuals but also nations as a whole; research by a PMG estimator developed by Pesaran concludes that remittances have positive effects on receiving nations' growth, but only when channeled into productive sectors for sustained long-term growth.⁵⁰

As a potential exception, Chinese MWs, a slightly different population, had a larger percentage saving money in their own bank account (20 percent) than the rest, with the remaining 80 percent sent to family members (60 percent) and unmarried partners for housing payments or debt (20 percent). Within this population, MWs are trending toward digital mode of payments through bank transfers and apps, but one factor slowing that trend is in a sense a higher financial awareness itself: Chinese MWs prefer traditional over mobile

⁴⁶ "Abd: Low Financial Literacy Hampering Fintech Adoption in Vietnam." Fintech Singapore, 3 Dec. 2020, <https://fintechnews.sg/45609/vietnam/abd-low-financial-literacy-hampering-fintech-adoption-in-vietnam/>.

⁴⁷ Experian, footnote 16.

⁴⁸ Poverty Action Lab, footnote 30.

⁴⁹ Ibid.

⁵⁰ Kinkyo, Takuji, et al. Financial Linkages, Remittances, and Resource Dependence in East Asia. World Scientific Publishing Company, 2016.

methods for social and financial reasons of wanting to congregate and discuss exchange rates before making financial decisions to remit. This population has a higher financial literacy than other MW groups in Singapore, as almost all of them hold bank accounts.⁵¹

Recommended Actions and Solutions

Transparent Labor System

To address the primary pain point of financial disclosure due to an abusive labor system, a top-down approach is both necessary and appropriate, creating a more transparent labor system with more protective regulations. Policymakers should focus on four main categories of redress: general wage and labor regulation, more accessible labor dispute process, wage disbursement, and a direct hire system.

The first category is wage regulations; if not creating a minimum wage, Singapore policymakers ought to at least enforce their existing salary deduction maximums and create protective labor laws regarding issues such as maximum hours worked per day, overtime pay, etc. They should also change the legal visa system for MWs on the Worker Permit, allowing for more time between jobs so that less MWs are deported during the job search process, as well as banning employers from holding MWs immigration documents.

The second step is making the labor dispute process more accessible to MWs, particularly those that speak neither English nor Mandarin fluently. The entire MoM website, as well as the IPA letter that informs MWs of relevant occupation and salary regulations are only offered in English, and court materials only have rough translations. For example, an Indonesian MW indicted for theft by her employer was provided a Malaysian translator for her court trial — a woefully inadequate service given that the Malaysian and Indonesian languages are similar but not exact. Beyond making the Labor Court multi-language accessible, it also ought to provide more enforcement for its verdicts; the MoM itself admits that 40 percent of Labor Court verdicts are not enforced, despite another MoM claim that 90 percent of claims are resolved within six weeks.⁵² MoM and the Labor Court should include not only a paper statement, but also tangible action and enforcement, in their definition of “resolved” in order for MWs to truly be protected under the law.

The third category is wage disbursement: MoM should require employers to disburse their employees’ salary into a bank account that either the employer or the employee creates in the employee’s name. This would prove a relatively painless process, given similar precedent established due to COVID-19 concerns. A MoM advisory in 2020 encouraging employers to pay salaries electronically for any MWs living in dorms led to a 300 percent increase in MW bank accounts opened in April 2020 with the Post Office Savings Bank (POSB), one of Singapore’s main banks. The positive effects of this advisory was amplified by POSB’s new digital banking services, called POSB Jolly, which provides direct remittance, bill payment, and other banking services for MWs specifically in not only English and Mandarin but also Bahasa, Bengali, and Tamil.⁵³ POSB was also integrated into the MoM work permit portal, and remittance transactions from POSB accounts rose 45 percent month-on-month in April 2020. Pre-pandemic, it took on average two to three years for MWs to be comfortable

⁵¹ Personal interview with an anonymous remittance company (translated from Mandarin Chinese).

⁵² Chan, footnote 1.

⁵³ “POSB Opens 41,000 Accounts for Migrant Workers.” Singapore Business Review, <https://sbr.com.sg/financial-services/news/posb-opens-41000-accounts-migrant-workers>.

switching to digital banking.⁵⁴ Now, with employers starting to get on board with digital disbursement, MoM should take advantage of the positive momentum and require that all MWs be paid digitally, effectively ensuring that every MW can gain access to a bank account and all the services entailed. There is also precedent that switching to direct deposit payment will benefit MWs: in two separate collections of MWs personal thoughts and stories, all five of five success stories were from MWs that were paid directly into their bank account, whereas a myriad of horror stories were told by MWs whose salaries were either held by their employer or given to them in cash.⁵⁵

The final policy action, and arguably most impactful, is establishing a direct hire system. That is, Singapore ought to switch from its current MW hiring system, which depends entirely on labor brokers, to a direct system such as an online portal where MWs can search and apply for jobs themselves. This would not cut out the labor brokerage industry completely, as they still could provide the necessary service of immigration application services, training services, and other helpful services, but as a contractor for the employers rather than an all-powerful middleman with the singular knowledge of how to navigate the impenetrable hiring process. This, as well as ensuring that employers rather than the migrant pay for relevant migration costs (as Indonesia has recently done for their migrant workers in Taiwan), would eliminate the enormous brokerage fees and resulting crippling debt that burdens the majority of MWs in Singapore.

This system is recommended by a few broker agencies themselves, who report that oversight of sub-agents and sub-sub-agents is difficult and leads to abusive practices of the industry as a whole.⁵⁶ The effectiveness of direct hire is supported by the few MWs in Singapore who managed to procure jobs on their own or through family or friends directly, bypassing the broker agency process. These fortunate MWs were able to avoid agency fees, doing the paperwork themselves, receiving their salary directly, and saving up enough to return home in just a few years.⁵⁷ Moreover, the national precedent of South Korea also supports this systematic move. Having switched to an online portal in recent years, South Korea's MW industry overall still reports wage discrimination, social stigma, and other labor issues, but nothing as dire as the MW situation in Singapore and other nations such as Taiwan and Hong Kong who have not yet adopted a direct hire system.

Financial Literacy Training and Support

To address the extreme difficulty of migrant workers accessing said recommended direct hire online portal, among other in-country or online resources such as the legal justice system, immigration system, banking systems, and other resources and processes which migrants currently struggle to navigate. This requires literacy training in both financial literacy and digital literacy, as well as better support through a combination of non-profit assistance, government assistance, and more streamlined processes themselves to increase accessibility.

The Singaporean government, as well as the governments of the sending countries, ought to provide and/or subsidize financial literacy training or programs to ensure that MWs possess basic personal finance skills that they will require when they go abroad to countries such as Singapore, including specific skills such as opening a bank account, reading and interpreting their work contract and payment statements, and navigating

⁵⁴ The Straits Times, footnote 15.

⁵⁵ Anggraeni, Dewi. *Dreamseekers: Indonesian Women as Domestic Workers in Asia*. PT Equinos Publishing Indonesia, 2006.

⁵⁶ Baas, Michiel. *The Migration Industry in Asia: Brokerage, Gender and Precarity*. Palgrave Macmillan, 2020.

⁵⁷ Chan, footnote 1.

online and offline remittance service systems. The latter, as well as digital literacy in general, is particularly crucial if Singapore and the surrounding greater Asia region is to implement a direct hire system, as that is currently the main barrier that the Singaporean government cites for not creating and using such a system. Finally, creating easier UI/UX and in general simplifying the websites, apps, print, and other government-provided materials regarding migrants' immigration, labor, and other information would greatly improve many migrants' ease of access to these resources, as similar initiatives have achieved with governments worldwide but especially in regions with lower digital literacy.

Conclusion and Further Research

Despite relatively large public awareness and international attention given to the issues surrounding the migrant worker economy, little research has been conducted to conclusively shed light on their working and living conditions, much less their financial inclusion or lack thereof. This paper, although brief and lacking the magnitude of data collection necessary to serve as unequivocal proof of the trends and situations characterized within, has sought to explore and explain the major financial pain points, root causes of said pain points, and potential solutions for migrant workers in Singapore.

Migrant workers — the term itself containing nuances of negative connotations clearly distinguished from other categories of foreigners in Singapore — experience a primary pain point of financial disinclusion, the active blocking of basic income and economic protections seen through unstable salary payment and abusive loan systems, as well as a secondary pain point of financial disinclusion, the lack of access to services such as remittances and secure saving opportunities. The cause for the former is an abusive labor system that fails to provide immigrant status protections, minimum or regulated wages, direct salary disbursement through bank accounts rather than through brokers or in cash, and direct job-search opportunities. As a result, MWs are forced to navigate non transparent and unstable systems of broker companies, hidden fees, abusive loans, and excessive dependence on their employer and/or broker for legal status in Singapore. The main cause of the secondary issue is financial illiteracy, where migrants' lack of financial and digital literacy skills prevents them from opening a bank account or accessing formal remittance services, accessing saving or investment opportunities, and particularly navigating all of the above systems in an increasingly digital post-COVID world.

As a solution, or rather set of solutions, this paper recommends first addressing the overall migrant labor system to increase transparency and regulations, specifically adding wage and disbursement regulations and streamlining the complaint justice system process, adjusting the migrant worker status to give more flexibility to migrant workers, and creating a direct hire system to bypass the major issues in the status quo broker-dependent system. To address the latter root cause of financial illiteracy, a combination of the government of Singapore, the governments of sending countries, NGOs, and relevant private companies ought to provide literacy trainings and more support in the form of financial literacy classes, digital support services, and more accessible, intuitive, and language-friendly website portals and other formal resources.

To support and extend on the arguments in this paper, further research on the specific implementation methods, as well as impact of COVID, would be useful to all stakeholders. In particular, researching the impact of the recent government-mandated COVID policy of employers opening a bank account for the MWs that they currently employ and disbursing salaries through direct deposit would provide evidence of whether that

temporary policy could be institutionalized and set a precedent for all migrant labor salary disbursements into the future as well. Second, the implementation and impact of the direct hire online platform currently used in South Korea would provide insight to the viability of such a system in Singapore. Third, the viability of broker companies both in sending countries and in Singapore shifting their business models and services to focus on complementary services such as financial or digital literacy trainings, dorm management, and other non-job-search services should be explored, looking at recent developments in Taiwanese broker companies as an example and possible model.

Regardless of which specific set of pain points and solutions are further examined and addressed, the financial and economic disclusion and disinclusion of migrant workers in Singapore is a major systemic issue that deserves more attention, awareness, and advocacy for actionable change. Singapore is a city — and a nation — that was built on migrant labor; in order to maintain the ethicality of its national foundations, as well as preserve the sustainability of its migrant-dependent labor force for future economic growth and social infrastructure, it is crucial that Singapore ensures appropriate and equitable financial access for the thousands of people that have and continue to pave its roads, build its homes, and care for its youth — via financial, economic, and policy adjustments to fix the underlying processes on a grander scale and bring mass reform to the overall migrant worker system in Singapore — and for that matter, for the rest of Asia and the world.

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