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Foreign worker housing at full capacity, with situation unlikely to ease soon

Come April 1, all foreign worker dormitories housing seven or more workers must be licensed under the expanded Foreign Employee Dormitories Act. PHOTO: ST FILE

Lim Yan Liang and Andrew Wong

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SINGAPORE - When construction activity rebounded to almost pre-pandemic levels in 2022, many firms began to hire in earnest once more, but soon ran into a problem: where to house all their workers.

Any unoccupied spots in the Republic's stock of 256,000 beds in purpose-built dormitories (PBDs) were quickly snapped up, and rental rates began to climb. The Straits Times reported in January that companies which had to renew their workers' tenancy agreements paid premiums of 30 per cent or more.

This came as sky-high rents for Housing Board flats prompted some employers of employment pass and Malaysian work permit holders to move their workers to PBDs, further fuelling bed demand, according to dorm operators.

“To my knowledge, the cost of housing workers at PBDs has increased by between $50 and $100 per bed,” said Mr Stanley Soh, 43, Ngee Cheng Electric’s human resources and operations manager. “Cost is one issue; another is availability of beds as most of the PBDs are full.”

Some companies sought permission from the authorities to install more beds in their industrial premises, known as factory-converted dormitories (FCDs), but were rejected, said Ms Jolene Teo, 59, director of Southern Airconditioning Engineering. The authorities said this was to minimise additional pressure on infrastructure such as the sewerage system.

It was thus good news when the Urban Redevelopment Authority (URA) told firms in February that these rules would be relaxed for up to three years in 13 areas around the island where new temporary workers’ dorms were previously disallowed.

Yet, while any easing helps, industry players said the small injection of beds from this policy tweak is unlikely to alleviate the current tight situation in the short term, especially as the worker accommodation industry here will soon undergo a major transition to meet enhanced legal standards.

They note that Singapore’s 53 PBDs are essentially operating at full capacity today, higher than the 88 per cent cited by the Ministry of Manpower (MOM) at the start of the pandemic and the 60 per cent in April 2021, when new quick-build dorms (QBDs) and temporary quarters were completed to house workers in order to reduce dormitory density.

“There is unlikely to be any new dormitories coming up until 2025, hence bed supply will remain the same or even reduce,” said a spokesman for the Dormitory Association Singapore Limited (DASL), a trade body that represents the interests of dorm operators here.

Ms Teo said her firm is applying to expand the current number of beds in its Tagore Lane FCD, from 28 beds to 48 beds. But it also intends to bring in more workers, who will have to be housed off-site. To her knowledge, the monthly cost of a dorm bed has risen to around $450.

Majority of dorms to be licensed under expanded law

Come April 1, all foreign worker dorms housing seven or more workers must be licensed under the expanded Foreign Employee Dormitories Act (Feda).

Overnight, about 1,600 dorms will come under the law, compared with just the 53 PBDs today, giving MOM more levers to act against errant operators.

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But MPs such as Mr Christopher de Souza (Holland-Bukit Timah GRC) and Mr Louis Ng (Nee Soon GRC) have noted that requirements under Feda for dorms to meet improved standards – including on minimum living space and communal facilities such as toilets and cooking stoves – apply only to those that are newly built.

“We (Singapore) reviewed dormitory conditions and decided 3.5 sq m per person and 15 residents to a common toilet is unacceptable. We cannot say these standards are unacceptable for some but continue to live with these standards for others,” Mr Ng said in Parliament on March 20.

In response, Manpower Minister Tan See Leng said the Government is ironing out a transition plan that takes into account what existing infrastructure can support, the potential disruption to the already-tight bed supply, and the impact on the inflow of workers.

Details of the transition plan will be put out later in 2023, he added.

The exchange in Parliament highlighted three things: First, that the vast majority of dorms here have reverted to the pre-pandemic average of 12 to 16 workers per room.

Second, there will be a temporary drop in bed supply when the transition plan is announced and existing dorms undergo renovations to meet the new specifications.

Third, when existing dorms meet the new standards, the net result is likely to be fewer overall beds across Singapore – at least until new dorms come up – even as there has been a large influx of migrant workers into Singapore in recent months.

Reached for comment, MOM and URA said the number of migrant workers in the construction, marine shipyard and process sectors is today 13 per cent higher than before the Covid-19 pandemic.

The ministry, which announced in October 2022 that it would set up a company to run two new PBDs that meet the improved standards, said there is no change to the timeline and that the PBDs in Tukang and Sengkang West remain on track to be operational by 2025 and 2028, respectively.

In April 2021, new quick-build dorms and temporary quarters were completed to house workers in order to reduce dormitory density.
PHOTO: PPT LODGE

The six QBDs built in 2021 to provide additional housing for migrant workers continue to be in operation, MOM said in a parliamentary reply to Mr de Souza in February.

MOM and URA did not respond on how many firms have applied to increase temporary accommodation, or how many beds employers have requested.

"We urge employers to reduce reliance on manpower through adoption of technology and lean methodologies," the agencies said in a joint reply, adding that they are encouraging dorm operators to release or sublet excess beds to other employers in need.

Employers such as Mr Hooi Yu Koh, chief executive of construction services firm Kori Holdings, told ST that the price surge and lack of beds mean many firms like his cannot expedite their current projects and clear their pandemic-induced backlogs as quickly as they would like to.

"The quantum of increase is a very significant... burden to employers of foreign workers," he said.

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Winners and losers

While employers gripe about rising rents in the worker housing market, the flipside is that the dorm industry now holds strong pricing power, though this is after the Covid-19 pandemic inflicted heavy costs on it such as a spike in rental default rates, and unforeseen expenses to meet pandemic requirements such as on cleaning, swabbing and quarantine.

Take Centurion Corporation, one of the largest dorm operators here, with nine facilities totalling some 34,000 beds.

The Singapore-based firm announced in February that for financial year 2022, its net profit attributable to shareholders grew by 36 per cent year on year to $71.4 million.

Occupancy of its PBDs rose from 85 per cent in financial year 2021, to 97 per cent in financial year 2022, while that of the QBDs it operates went up by 18 percentage points in financial year 2022 to 99 per cent, it added.

Demand for its beds, which today exceeds pre-pandemic levels, was "augmented by measures put in place by MOM to bring in more work permit holders to meet the high demands for migrant workers post-Covid-19", said Centurion in its annual results announcement.

The company said it expects occupancy to remain robust through 2023 due to the sustained demand for manpower by the construction sector. It won a tender in January to build a new 1,650-bed PBD in Ubi Avenue 3 "to address strident demand", but the new dorm is expected to be completed only in 2025.

Unexpectedly, demand for dorm housing has also been propped up by the buoyant residential housing market, a domino effect few may have predicted.

In the firm's latest annual report, Centurion Corp chief executive officer Kong Chee Min said: "Pressing demand (for worker housing) has been further exacerbated by steeply rising rents in private residential housing, driving employers of migrant workers in other sectors not required by manpower law to live in approved worker dormitories to also seek purpose-built dormitory beds."

Centurion Corp declined to respond to ST's queries, such as on how it sets its rents and meets market demand for its beds equitably.

ST contacted at least 15 dorm operators in Kaki Bukit, Ubi and Tagore Lane, but most declined comment.

Asked if its members are looking to increase bed counts to meet market demand, DASL would say only that dorm operators strive to meet demand where possible.

“We shall not comment on prices as this is a business decision of the business owners after taking into consideration all the contributing factors,” said a DASL spokesman.

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How firms are coping

For now, firms are doing what they can to tide over the housing shortage for foreign workers.

Some, like Kori Holdings, said they foresaw the potential for a bed shortage, and had kept contracts for extra beds in PBDs, even after 30 workers left the firm between 2020 and 2021.

The 30 beds were filled only in the later part of 2022, which meant the firm was paying for empty bed spaces for at least a year.

This insurance policy is why all 200 of the firm’s workers are currently staying in PBDs, said Mr Hooi. “But now, we are reaching a level where capacity is at the limit, and we need to secure more beds for our incoming workers.”

As for Southern Airconditioning Engineering, it is trying to regain its stride while hoping that the bed situation will ease soon.

“We actually need to bring in more workers because after Covid-19, our projects are starting to run again,” said Ms Teo.