What factors are keeping expats rooted in Singapore?

Expatriate salaries and benefits may be declining, but few other places in the world promise terrific career growth, family safety and work-life balance.

If you ask Alexander Knight and his expatriate colleagues if they regret moving to Singapore amid the rising cost of living and shrinking compensation packages, they would tell you with a begrudging smile: not like there’s a better place we can live in. Singapore is now the second most preferred country by expatriates looking for a well-balanced, high quality lifestyle, according to the latest HSBC Expat survey, and this promise of a modern working paradise has kept expatriates loyal to the island despite more lucrative offers in other parts of Asia.

“Singapore is a place that multinational corporations know is more or less a dream destination for an expat,” says Knight, an advertising director who has been assigned to Singapore for eight years. “Many of the people I know complain about the cost of living, but are happy to pay the low taxes.”

A low tax regime, along with a low crime rate and its status as a regional hub that can open doors to lucrative career opportunities combine to make Singapore a top pick among expatriates, particularly those at the senior level and those with kids. Expatriates in Singapore might receive inferior compensation packages compared with their counterparts in China or Hong Kong – it ranked behind both countries in ECA International’s latest MyExpatriate Market Pay Survey – but they soldier on because relocating could lower their household’s security and quality of life.

Expatriates who choose to move to and stay in Singapore are learning to accept lower yearly salaries and a shorter list of benefits than what would have been offered years ago.

“High remuneration and benefits packages for expatriates are no longer the norm,” says Richard Farmer, director of specialised recruitment at Randstad Singapore. “In Singapore the growing trend is for expatriates to be hired on local packages in line with their local counterparts.”

Lower expatriate packages

The full expatriate package that includes salary, housing allowance, children’s international school fees, travel and transport allowances are rare these days and almost only offered to executives at senior levels, typically for C-suite or senior vice president roles, says Mark Hall, vice president and country general manager at Kelly Services Singapore.

For less prestigious expatriate hires, the packages are being toned down. “Companies that use the host-based approach usually provide less generous housing and education assistance, as well as a reduction in transport allowance,” says Hall. “The expatriate may have to choose to live in apartments further from city centre and expensive expat areas, where rent is high.”

Knight recounts that some expatriates are not even getting paid for their children’s school fees or rent. “Company cars seem to be off the menu entirely.” But even with tapering perks, advertising directors like himself can still demand competitive salaries in the range of S$150,000 to S$180,000 per year, with a potential rental grant of S$60,000 per year.

Companies can still put together a lavish expatriate package that includes a six-digit signing bonus, and generous housing and education allowance, says Hall. “We have recently placed a banker who was...”
offered a S$100,000 sign on bonus. Some of the other typical benefits include a housing allowance in expensive expatriate locations such as Sentosa Cove and Holland Village, and international schooling fees for children.

Only those being courted for regional management and senior executive roles in Singapore can expect higher salaries and comprehensive benefits due to the importance of these positions, says BJ Ooi, partner, head of global mobility services at KPMG in Singapore. “As global companies set up businesses in Singapore, creating regional headquarters in Singapore have become a necessity to compete in their respective markets. Arising from this phenomenon are regional management and specialist positions that require expatriates to be based in Singapore.”

Exceptional living standards

While Singapore expatriate packages might be a shadow of their former glory, their translated value soars after factoring in the low tax regime and exceptional living standards in Singapore. The personal income tax rate remains among the lowest, notes Hall, which starts at 0% and is capped at 20% for local residents and 15% for non-residents. The island nation is also lauded for being one of the cleanest, safest and most orderly countries in Asia, which contributes to the holistic work-life balance that most expatriates seek. “The Singapore authorities have been continuously investing in infrastructure and public services. Singapore has an excellent health service, hospitals are modern, well-equipped and doctors are highly qualified,” says Godelieve Kroonenberg, ASEAN business leader at Mercer.

He adds that the education and childcare infrastructures are one of the best in the world. Singapore dominates the top of both our general and personal safety rankings, in particular.

“The reason why foreigners come to Singapore is not only the attractive package. For some it is an experience to start exploring Asia, for others it is a comfortable and safe base to work in other Southeast Asian countries. Many seasoned expatriates will find a comfortable lifestyle in Singapore,” says Kroonenberg.

Singapore vs Hong Kong?

Analysing what makes Singapore such a hit among expatriates, it is easy to argue that a competing offer in Hong Kong, among all the other countries, will make the decision quite difficult. “Singapore and Hong Kong are both regional business hubs, and are great bases for multinational companies, with established infrastructure, a high standard of living and low tax rates,” says Farmer. Both are also experiencing the same scaling-back of expatriate packages outside of C-suite positions. Singapore’s advantage is that the government makes the application process for a working visa fairly straightforward and efficient. Meanwhile, Hong Kong has an edge for having a low tax environment for both base salaries and bonuses.

“Singapore has clean streets and the people are polite. It has excellent roads, lots of greenery and clean air, and an organized airport. I was sold,” says Anthony Coundouris, trade finance evangelist at ApexPeak and a seasoned expatriate in Singapore, weighing in on the comparison between regional hubs.

“Hong Kong has more waterscapes and higher quality produce. You really cannot compare them,” says Coundouris.

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In general, while the salaries are higher in Singapore, the expats may receive higher payouts due to additional benefits such as housing and children’s education. Expats would rather stay in Singapore because Hong Kong residential real estate is more expensive. Hong Kong is perceived to be difficult when it comes to securing a place in international schools, where in Singapore the waiting lists (for certain schools) tend to be shorter. Quality of living is also better in Singapore which is based on the 2014 Mercer Quality of Living survey. The current political scenario in HK poses a risk to HK’s attractiveness to senior-level expatriate professionals, at least in the immediate term. Qualification in the local pension scheme is an issue in Singapore, as the Central Provident Fund limits mandatory participation to foreigners with Singapore Permanent Residence status. That is one disadvantage.

Godelieve Kroonenberg, ASEAN business leader information solutions, Mercer

The range can be very wide depending on a lot of factors such as position and tenure. However, Hong Kong expatriates generally get 15 to 20% higher remuneration to compensate for the higher cost of living in Singapore.

Consumer prices are higher for the latter whereas in Hong Kong food and rents are generally cheaper. On the other hand, expats are choosing Singapore over Hong Kong because of a number of reasons. Firstly, Singapore tops it in both political and economic stability. Secondly, expats have more varied choices in Singapore when it comes to education. For expats with families, Singapore offers a wide selection of international schools for the children. It is also easier to get a placement in international schools in Singapore than to get one in Hong Kong.

Another major consideration would be air pollution. Air pollution is worse in Hong Kong than in Hong Kong, thus making the city less conducive for expats with families to live in.

Jamie Wong, senior manager, Marketing ASIA, Kelly Services