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Singapore Phantom Workers and the Consequences for Employees and Company Directors

Phantom worker arrangements are not a mere administrative loophole; they are a calculated criminal enterprise that has recently drawn an escalating wave of enforcement actions from Singapore's Ministry of Manpower (MOM). Both the individuals who lend their names and the directors who orchestrate the scheme face severe consequences: imprisonment, substantial fines, and permanent disqualification from employing foreign workers.

1. What Exactly Is a "Phantom Worker"?

A "phantom worker" refers to an individual who is recorded by a company as an employee and for whom CPF contributions are made, despite the individual not actually performing any work or providing services to the company. Such an arrangement exists only on paper, with the individual having no actual involvement in the company's day-to-day operations.

In substance, the arrangement allows employers to artificially inflate their local workforce numbers in order to obtain additional quotas for hiring foreign workers. For example, in the construction and manufacturing sectors, the foreign worker quota may be subject to a ratio of up to five foreign workers for every one local employee. By making relatively small CPF contributions on behalf of ghost employees, employers can potentially increase their foreign worker quota at a low cost and thereby obtain significant unlawful financial benefits.

2. The Consequences for Employees

(1) Criminal Liability

A person may face criminal charges if they allow a company to use their personal information to make false CPF contributions. This may apply even if they did not fully understand the arrangement. The penalty can be a fine of up to S$20,000, imprisonment of up to two years, or both.

(2) Risks relating to personal data and misuse of information

In many cases, individuals listed as "phantom workers" may be completely unaware of the arrangement. Unscrupulous employers may obtain an individual's NRIC details through data leaks or other means and use the information to make CPF contributions without the individual's knowledge or consent. If the arrangement is subsequently investigated, the individual may still be required to spend considerable time and effort explaining the circumstances to the relevant authorities.

3. The Consequences for Company Directors

(1) Main Offence Under the EFMA

The main offence is providing false information in work pass applications. Under the Employment of Foreign Manpower Act (EFMA), a person convicted of this offence may face a fine of up to S$20,000, imprisonment of up to two years, or both.

(2) Multiple Legal Risks

In addition to the EFMA, such conduct may potentially give rise to offences under other laws. For example, claiming fictitious CPF expenses as tax-deductible expenses may constitute an offence under the Income Tax Act. Similarly, falsely declaring the number of employees in order to obtain government training grants or tax incentives may amount to the misuse of public funds and potentially constitute an offence under the Penal Code.

(3) Severe Restrictions on Employing Foreign Workers

Beyond criminal penalties, the Ministry of Manpower (MOM) may suspend or permanently revoke a non-compliant company's ability to apply for work passes and may restrict the relevant directors from employing foreign workers in the future. For businesses that rely heavily on foreign labour, such restrictions could have a significant impact on their operations.

4. Why the Quota System Matters

(1) No “grey area” under the law

Even if a purported ghost employee claims to be unaware of the arrangement, the court may still consider whether the individual should have taken reasonable steps to clarify the source or purpose of unexplained CPF contributions. A lack of knowledge may not necessarily provide a defence.

(2) Quota requirements are strictly enforced

Any attempt to circumvent foreign worker quota requirements through false or misleading arrangements may be treated as an attempt to undermine Singapore’s foreign manpower control framework. Such arrangements may therefore attract strict regulatory scrutiny and enforcement action.

5. Action Guide for Employers and Employees

(1) For Employers:

(1) Make sure all local employees have genuine employment arrangements, such as employment contracts, attendance records, and actual work duties. Simply making CPF contributions is not enough.

(2) Do not claim CPF contributions for phantom workers as business expenses, and do not use false employee numbers to apply for government grants or subsidies.

(3) Regularly check your payroll and CPF records to identify unusual or incorrect information.

(2) For Employees:

(1) Check your CPF account regularly. If you see CPF contributions from a company that you do not work for, report it to MOM as soon as possible through its "Report an infringement" eService.

(2) Do not accept CPF contributions from companies you do not know or work for, even if the amount is small. Being involved in such an arrangement could have serious legal consequences.

(3) If someone offers you money to "lend your name" so that they can make CPF contributions under your name, refuse the offer and report it to MOM.

Keywords: phantom workers, Singapore foreign worker quota, CPF contributions, Employment of Foreign Manpower Act, work pass applications, foreign manpower compliance, company directors, employee liability, MOM enforcement

Conclusion

The use of phantom workers is a calculated gamble that places both the individual and the company on the wrong side of a regulatory line. The framework under the Employment of Foreign Manpower Act is designed to close these loopholes, and the penalties reflect the seriousness with which the state views such breaches. Whether through fines, imprisonment, or loss of hiring privileges, the consequences are tangible and far-reaching.

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