TRIPARTITE ADVISORY ON ENSURING SUSTAINABILITY OF THE STRATA MANAGEMENT AND FACILITY MANAGEMENT SECTORS IN VIEW OF COVID-19

Introduction

1. This advisory provides recommendations on measures that management corporations (MCSTs), managing agents (MAs), and facility management companies (FMCs) should adopt to ensure the sustainability of the strata management and facility management (FM) sectors in view of COVID-19.

Impact of COVID-19 on the Strata Management and FM Sectors

2. The COVID-19 pandemic has disrupted MAs' and FMCs' service delivery to MCSTs and building owners across Singapore. Service buyers, service providers, and workers have been adversely affected. Close cooperation among all stakeholders is needed to ensure the sustainability of the strata management and FM sectors.

3. MA and FM services generally require workers to be on-site. These service providers have been affected by the tightening of the number of workers able to do so. Therefore, MCSTs and building owners play a critical role in supporting operational changes that will enable MAs and FMCs to meet their expectations, while retaining their resident workers and continuing to develop their capabilities.

Pay service providers appropriately

4. MCSTs and building owners should pay MAs and FMCs as per contract terms unless there are changes in services required. The tripartite partners are aware that there are suggestions by MCSTs and building owners for their MAs and FMCs to pass on to them partially or wholly the payouts received under the Jobs Support Scheme (JSS). MCSTs and building owners should not ask for reduced contract fees simply because their MAs and FMCs receive wage support through the JSS. JSS is intended to help enterprises retain their local employees during this period of economic uncertainty.

5. MAs and FMCs, amongst other service providers, are not regarded as labour suppliers that should pass JSS payouts to their clients[1]. Labour suppliers function like an external recruitment arm of their clients. Typically, they are only responsible for providing manpower to their clients and have no further responsibilities to provide professional management services. Labour suppliers generally retain their employees only as required by clients and do not take on the obligation of redeploying the staff.

[1] Refer to MOM's advisory: www.mom.gov.sg/covid-19/advisory-on-labour-supply-companies, and MOF's and MOM's joint media reply: www.mom.gov.sg/newsroom/press-replies/2020/0722-statement-on-jobs-support-scheme-payouts-for-outsourced-sectors.

Therefore, as key decisions on worker employment or termination rests with clients, JSS payouts should flow through to the clients to support local employment.

6. The situation is different with outsourced service providers such as MAs and FMCs that contract with service buyers and MCSTs. Service buyers typically do not have direct control over the employment and deployment of specific workers. As the key decisions on worker employment rests with the MAs and FMCs, the JSS payouts should be retained by them to help meet their obligations to workers and to support local employment. This same principle also applies to government owned properties which are being outsourced and managed and maintained by the MAs or FMCs. The government agencies do not expect a refund for the JSS payout from their MAs and FMCs.

7. During this pandemic, MAs and FMCs also incur other additional costs in complying with the Safe Management Measures as well as other related cost to keep their staff motivated in this very trying time, which may not be charged to the MCSTs and building owners. We understand that residents in developments managed by MCSTs could also be affected by the economic uncertainty. If there is a change in contract terms, MAs/FMCs and MCSTs/building owners should negotiate the new terms based on the new deployment and requirement.

Exercise restraint in activating penalty clauses

8. MCSTs and building owners should exercise flexibility with service contract clauses during this COVID-19 period. In particular, contract clauses on liquidated damages should not be imposed on MAs and FMCs for breaches that are beyond the MAs and FMCs' control.

Remunerate Workers Appropriately

9. MAs and FMCs should remunerate workers appropriately:

a. For workers with heavier workloads, which may be due to additional deployment to new work areas or insufficient headcount, MAs and FMCs should consider increasing their wages, and/or providing them with additional allowances.

b. For workers with reduced workloads (e.g. due to health or decreased service provision required), MAs and FMCs should comply with the advisories related to salary and leave arrangements[2], including taking into consideration Government support[3] to retain and continue to pay their employees, even during periods of reduced business activity.

[2] This includes the advisory on salary and leave arrangements updated on 17 Jul 2020 – www.mom.gov.sg/covid-19/advisory-on-salary-and-leave.

[3] JSS provides companies, including managing agents, with wage support of at least 25% of local employees' wages for 9 months (www.iras.gov.sg/irashome/Schemes/Businesses/Jobs-Support-Scheme--JSS-/).

Conclusion

10. The COVID-19 pandemic is a challenging period for all parties – MAs, MCSTs, FMCs and building owners, as well as the MA and FM employees. All stakeholders should share the responsibilities arising from changes to the MA and FM services required. Workers should be appropriately recognised and remunerated for any increased workload and risks they shoulder. This will ensure the sustainability of MA and FM operations and the service standards of MCSTs and building sites during this COVID-19 pandemic.

11. For further queries, please contact:

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