

TRIPARTITE ADVISORY ON MANAGING EXCESS MANPOWER AND RESPONSIBLE RETRENCHMENT (Updated March 2020)

Introduction

The Singapore economy is highly exposed to structural changes in the global economy and volatilities in external demand and supply. Businesses will constantly need to push for higher productivity in the face of slower manpower growth and keen external competition. As businesses seek to adjust to changes in their operating environment, there may be impact on employees whose jobs are affected in the process.

Managing Excess Manpower

2. The tripartite partners – the Ministry of Manpower (MOM), the National Trades Union Congress (NTUC) and the Singapore National Employers Federation (SNEF) – strongly encourage employers to take a long-term view of their manpower needs, including the need to maintain a strong Singaporean core. When managing excess manpower, retrenchment should always be the last resort, after other options have been considered and found to be unworkable. In this way, businesses will retain and inspire loyalty in their workforce, and be well positioned to emerge stronger in the recovery.

3. The alternatives to retrenchment, which employers should consider, are as follows:

- Send employees for training to upgrade their skills and employability
- Redeploy employees to alternative areas of work within the company
- Implement flexible work schedule, flexible work arrangements, shorter work-week, or temporary layoff
- Adjust wages in line with tripartite norms
- Implement no-pay leave

More details are in [Annex A](#).

4. The Government provides significant support to employers who are prepared to invest and develop the capabilities of their employees. Employers can tap on training support schemes under the [SkillsFuture](#) movement, redeployment programmes under the [Adapt and Grow](#) initiative, and [other government grants](#).

5. Where there is a need to implement any of the measures, the principle of leadership by example, close consultation and transparency should prevail.

Employers should engage and communicate with unions and employees. The measures should be regularly reviewed to assess whether they remain necessary and whether other measures are required. Employers should always exercise care and fairness in implementing cost-saving measures, and pay special attention to the impact of any measures on low-wage employees.

6. Employers must comply with any notification requirements, issued by the Commissioner for Labour from time to time, to inform the Commissioner of any cost-saving measures that their companies implement.

Responsible Retrenchment

7. The tripartite partners have developed the following advisory to help companies implement retrenchment exercises in a responsible and sensitive manner bearing in mind the impact on the affected employees, in the event that retrenchment is inevitable. Retrenchment is a difficult time for all, especially for the affected employees and their families. It is important that employees are treated with dignity and respect during a retrenchment exercise.

Considerations

8. When carrying out a retrenchment exercise, the selection of employees for retrenchment should be conducted fairly, based on objective criteria such as the ability of the employee to contribute to the company's future business needs. Employers should not discriminate against any particular group on grounds of age, race, gender, religion, marital status and family responsibility, or disability. For instance, older, re-employed as well as pregnant employees should not be unfairly targeted.

9. Employers are reminded to abide by the [Tripartite Guidelines on Fair Employment Practices](#). MOM will investigate complaints of discriminatory employment practices and take strong enforcement actions for substantiated complaints, such as curtailing work pass privileges of the employer.

Notifying Government and Unions of Retrenchment

10. If the company is unionised, the relevant union(s) should be consulted as early as possible. Where it is provided in the collective agreement, the norm is one month before notifying the employee.

11. Employers must comply with the Mandatory Retrenchment Notifications requirement under the Employment Act.

12. Notification of retrenchments will enable the tripartite partners, and other relevant agencies to help affected local employees find alternative employment and/or identify relevant training to enhance employability.

13. In the event where labour issues arise from the retrenchment exercise, tripartite partners can engage the parties involved with a view to resolve the matter amicably.

Communication to Employees

14. Employers should communicate the intentions of retrenchment to their employees early and before the public notice of retrenchment is given. This may include:

- Explaining the business situation faced by the company resulting in the need for a retrenchment exercise
- Outlining how the retrenchment exercise will be carried out
- Elaborating on the factors that will be considered
- Specifying the assistance being offered to those affected

15. When issuing the retrenchment notice, employers should be sensitive to the emotional needs of affected employees. Where necessary, counselling support should be considered and offered.

Retrenchment Notice Period to Affected Employees

16. Employees being retrenched need time to prepare for and look for alternative arrangements. A longer notice period, to the extent practicable, will be helpful.

17. The Employment Act already provides for the following notice period schedule for termination of employment as a minimum requirement:

Length of Service	Notice Period
Less than 26 weeks	1 day
26 weeks to less than 2 years	1 week
2 years to less than 5 years	2 weeks
5 years and above	4 weeks

18. However, responsible employers are encouraged to adopt a longer retrenchment notice period when compared to the normal termination of an

employment contract, or to pay in lieu of such notice. This should be worked out with the union(s) in the collective agreement concerned; or with employees in their contracts of service; or codified in their company HR handbooks.

19. Employers should also pay all wages due and retrenchment benefit to the affected employees by the last day of work.

Retrenchment Benefit

Eligibility

20. Employees with 2 years' service or more are eligible for retrenchment benefit. Those with less than 2 years' service could be granted an ex-gratia payment.

Quantum

21. The quantum of retrenchment benefit depends on what is provided for in the collective agreement or contract of service. If there is no provision, the quantum is to be negotiated between the employees (via their union in the case of a unionised company) and the employer concerned.

22. The prevailing norm is to pay a retrenchment benefit varying between 2 weeks to one month salary per year of service, depending on the financial position of the company and taking into consideration the industry norm. However, in unionised companies where the quantum of retrenchment benefit is stipulated in the collective agreement, the norm is one month's salary for each year of service¹.

Adjustments

23. If the retrenchment exercise follows shortly after a salary cut, the salary prior to the cut should be used to compute the retrenchment benefit, so that cuts are not implemented just to reduce retrenchment payments.

Employment Facilitation²

24. As responsible employers, companies should help affected employees look for alternative jobs in associate companies, in other companies or through outplacement assistance programmes. We urge employers to go beyond advisory assistance and make practicable efforts to place affected employees in their next

¹ For executives, companies can also refer to the Tripartite Guidelines on Extending the Scope of Union Representation for Executives and the Tripartite Guidelines on Expanding the Scope of Limited Representation for Executives.

² Employment facilitation refers to activities that improve jobseekers' employability and help jobseekers secure employment.

jobs, possibly with the help of intermediaries such as employment/placement agencies. Supporting documentation (such as referral letters, service records and past training certificates) should also be provided where relevant to facilitate the job search of affected employees.

25. Employers can work with the unions, SNEF and agencies such as WSG, NTUC’s Employment and Employability Institute (e2i), Job Security Council and U PME Centre, to provide employment facilitation services to help the affected employees.

Conclusion

26. The *Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment* aims to assist employers in managing their excess manpower and conducting retrenchment exercises, where it is inevitable, responsibly. Early notification of retrenchment will enable the tripartite partners to do more for retrenched employees, particularly in employment facilitation. This can improve outcomes for employers, employees, and the wider community.

For assistance on employment facilitation services, companies can contact the following:

Workforce Singapore (WSG)
www.wsg.gov.sg

Employment and Employability Institute (e2i)
www.e2i.com.sg
 Email: followup@e2i.com.sg

Job Security Council (JSC)
 Email: jobsecurity@e2i.com.sg

U PME Centre
<https://www.ntuc.org.sg/wps/portal/pme/home/eappointment/>
 Email: pme@ntuc.org.sg

For further clarification on the advisory or assistance, companies may approach MOM, NTUC, SNEF, or TAFEP.

Ministry of Manpower (MOM)
 Email: mom_lrwd@mom.gov.sg

National Trades Union Congress (NTUC)
 Industrial Relations Department
 Email: ntucird@ntuc.org.sg

Singapore National Employers Federation (SNEF)
 Industrial and Workplace Relations
 Email: ir@snef.org.sg (for SNEF Members)

Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP)
 Email: contactus@tafep.sg

POSSIBLE MEASURES TO MANAGE EXCESS MANPOWER

The following measures are intended to help employers keep their businesses viable and support employees during economic downturns so that fewer jobs are lost. **The measures are broadly categorised based on the severity of impact to employees:**

- I. Adjustments to Work Arrangements without Wage Cuts
- II. Adjustments to Work Arrangements with Wage Cuts
- III. Direct Adjustments to Wages
- IV. No-pay Leave

Employers should consider the measures but need not apply them sequentially. In general, adjustments to work arrangements with or without wage cuts are more applicable to employers who wish to scale down or suspend business operations in response to a short, temporary decline in business activities. In contrast, direct adjustments to wages and no-pay leave may be more applicable to employers if they are suffering from extremely poor or uncertain business conditions that are likely to be long term.

In implementing these measures, **employers should consult and seek the consent of unions and employees early and communicate the impact of the measures clearly given that the livelihood of employees are at stake.** Employers should review and restore any adjustments made when their businesses recover.

I. ADJUSTMENTS TO WORK ARRANGEMENTS WITHOUT WAGE CUTS

A. Training and skills upgrading of employees

Training and skills upgrading of employees is one of the key strategies recommended by tripartite partners. Employers could also receive absentee payroll subsidies for employees undergoing training. Training employees could support employers in the following ways:

- Increase in productivity by equipping employees with better skills and knowledge
- Redeploy excess manpower to vacancies in different areas
- Retain skilled employees to enable company to meet business demand when economic growth recovers

B. Redeployment of employees to alternative areas of work within the company

If changes are structural, employees can be redeployed or rotated when the job scope is enlarged, enriched or restructured and relevant training should be provided to them. When there are no other available jobs for them within the

company, employers can consider outplacing the affected employees to suitable jobs in other companies, taking into consideration their physical and mental conditions, skills and experience.

C. Flexible Work Schedule (FWS)

FWS allows companies to optimise the use of manpower resources when they go through cyclical troughs and peaks in manpower demands; and employees are assured of a stable monthly income during the period of FWS.

To illustrate, the employer and employee (covered under Part IV of the Employment Act) agrees to reduce weekly working hours from 44 hours to 40 hours for 4 weeks and the accrued 16 hours are then used to offset the increase in work hours (above 44 hours) in the next 4 weeks. In offsetting the overtime pay incurred in the next 4 weeks, the employee (or union if company is unionised) and employer may agree on the rate at which the accrued hours are to be valued.

Employers who wish to implement FWS need to seek the support of the unions and employees and thereafter [apply to the Commissioner for Labour](#). Other than overtime exemption, the employer may apply to be exempted from the Employment Act provisions on pay for work on rest days and public holidays, provided that certain conditions including the safety and health of employees, are met. More details on the qualifying conditions can be found on the [MOM website](#).

II. ADJUSTMENTS TO WORK ARRANGEMENTS WITH WAGE CUTS

A. Part-time work, sharing of jobs or other work arrangements

Companies may consider implementing other work arrangements such as part-time work and sharing of jobs or other flexible work arrangements, depending on the operational needs and the severity of the downturn. More details on such work arrangements can be found on the [MOM website](#).

B. Shorter work week

Shorter work week translates into the reduction of work hours. Employers may:

- Request employees to take up to 50% of their earned annual leave
- Implement the reduction in work week such that it does not exceed 3 days in a week (a reduction of 3 days should only be implemented if the company's performance is severely affected) and does not last for more than 3 months at any one instance subject to review

- Pay the affected employees not less than 50% of their wage on the day(s) when the employees are not working, during the period when the shorter work week is implemented.

C. Temporary layoff

Temporary layoff can be a result of facility shutdowns where a work site is closed for a designated period while some administrative functions are still performed or applied broadly across the whole company. Employers may:

- Request employees to take up to 50% of their earned annual leave
- Implement the layoff period such that it does not exceed one month at any one instance subject to review
- Pay the affected employees not less than 50% of their wage during the layoff period

III. DIRECT ADJUSTMENTS TO WAGES

The tripartite partners recognise that some companies may have to implement more severe cost-saving measures if they are suffering from extremely poor or uncertain business conditions that are likely to be long term. As these measures result in wage cuts over an extended period of time, severely impacting the livelihood of employees, **employers should engage and seek the consent of unions and employees** before implementing these measures. Companies with a flexible wage system in place may consider adjusting the following wage components to further reduce manpower costs:

i. Annual Wage Increment

If the need arises, the company may consider reducing the annual increment or introduce a wage freeze if the situation warrants it, the extent of which should depend on the company's financial position.

ii. Variable Bonus Payment

This component is directly linked to the company's performance and the continuation of such a payment will depend on the profitability of the company. Hence, when a company is not performing well, bonus payment will be reduced or not given.

iii. Annual Wage Supplement (AWS)

If business conditions continue to worsen, another component to be considered for reduction is the AWS, which is usually one month's wage to be paid at the end of the year.

iv. Monthly Variable Component (MVC) and/or other allowances

The MVC, which forms a part of the basic wage, allows the company to adjust wages quickly in response to changes in the business environment without having to wait until the end of the year to adjust variable bonus payments and other annual variable components.

Employers can consider adjusting the MVC downwards, if the company has already put in place an MVC in the wage structure. The extent of the adjustment would depend on the company's situation and any key performance indicators or guidelines for triggering an MVC cut as agreed with the union (if company is unionised) or employees.

For a company which has not implemented the MVC but needs to adjust monthly wages downwards, the company could consider treating any cut in basic wages of up to 10% as MVC cut. The company should set clear guidelines to restore the MVC cut through future wage increases or adjustments when their business recovers. In the case of managers/executives, depending on the circumstances and requirements of the company, the MVC set aside could be more than 10% of basic wages, in line with the principle of leadership by example.

Employers should take into account the cut in total monthly wages, which may include MVC and allowances, to ensure that any reduction will not result in undue hardships to affected employees.

IV. NO-PAY LEAVE

As a last resort, some companies may have to put employees on no-pay leave in order to survive and save jobs. In implementing no-pay leave,

- Companies should have considered/implemented other measures, and consulted their unions and employees
- Companies should recognise the impact on rank-and-file employees in determining the extent and duration of the measure
- Senior management should lead by example, by accepting earlier and/or deeper cuts in cost-saving measures
- If business conditions warrant it, companies could apply no-pay leave in conjunction with other cost-saving measures