

# **TRIPARTITE ADVISORY ON MANAGING EXCESS MANPOWER AND RESPONSIBLE RETRENCHMENT (Updated March 2017)**

## **Introduction**

The Singapore economy is highly exposed to structural changes in global trends and volatility in external demand. Businesses will need to constantly push for higher productivity as we face slower manpower growth and keener global competition. As businesses seek to adjust, there may be some impact on workers whose jobs may be affected in the process.

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 these challenges.

## **Managing Excess Manpower**

3. Employers facing structural changes should consider alternative ways of managing their local manpower where possible. These could include upskilling employees and redesigning jobs. Employers wishing to develop capabilities in these areas can tap on government grants like WorkPro and the Capability Development Grant. Employers are encouraged to consult the unions, business associations and employees about these changes. In some instances, employers may find it more appropriate to implement established cost-saving measures for their excess manpower as outlined in Annex A.

## **Responsible Retrenchment**

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

## **Considerations**

5. 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.

6. Employers are reminded to abide by the Tripartite Guidelines on Fair Employment Practices. MOM acts on complaints of discriminatory employment practices. If the complaints are substantiated, companies will have their work pass privileges curtailed.

### **Notifying Government and Unions of Retrenchment**

7. 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 1 month before notifying the employee.

8. Companies are also reminded to abide by the Tripartite Guidelines on Mandatory Retrenchment Notifications.

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

10. In the event where labour issues arise from the retrenchment exercise, MOM and tripartite partners can also advise the employer on such issues.

### **Communication to Employees**

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

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

12. 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**

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

14. As a minimum requirement, the Employment Act already provides for the following notice period schedule for termination of employment under normal circumstance:

<b>Length of Service</b>	<b>Notice Period</b>
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

15. However, responsible employers are encouraged to adopt a longer retrenchment notice period when compared to the normal termination of employment contract, or to pay in lieu of such notice. This should be worked out with union(s) in the collective agreement concerned; or with employees in their contracts of service; or codified in their company HR handbooks.

16. Employers should also pay all salaries due and retrenchment benefits to the affected employees by the last day of work.

### **Retrenchment Benefits**

#### Eligibility

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

## Quantum

18. 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.

19. The prevailing norm is to pay a retrenchment benefit varying between 2 weeks to 1 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 service<sup>1</sup>.

## Adjustments

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

## **Employment Facilitation<sup>2</sup>**

21. 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 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.

22. Employers can work with unions, SNEF and agencies such as WSG, NTUC's U PME Centre and the Employment and Employability Institute (e2i) to provide employment facilitation services to assist the affected employees.

## **Conclusion**

23. The revised 'Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment' aims to assist employers in managing their excess

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

<sup>2</sup> Employment facilitation refers to activities that improve jobseekers' employability, and help jobseekers secure employment.

manpower and conducting retrenchment exercises, where it is inevitable, responsibly. Early notification of retrenchment will enable WSG and the tripartite partners to do more for retrenched workers, 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](http://www.wsg.gov.sg)

Tel: 6883 5885

**Employment and Employability  
Institute (e2i)**

[www.e2i.com.sg](http://www.e2i.com.sg)

Tel: 6474 0606

Email: [followup@e2i.com.sg](mailto:followup@e2i.com.sg)

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

**Ministry of Manpower (MOM)**

Tel: 6438 5122

Email: [mom\\_lrwd@mom.gov.sg](mailto:mom_lrwd@mom.gov.sg)

**Tripartite Alliance for Fair and Progressive Employment Practices  
(TAFEP)**

Email: [contactus@tafep.sg](mailto:contactus@tafep.sg)

## **Possible Cost-Saving Measures to Manage Excess Manpower**

### **1. Redeploy workers to alternative areas of work within your organisation**

Employees can be re-deployed or rotated when the job scope is enlarged, enriched or restructured. When there is no other available jobs for them within the organisation, companies can consider outplacing the affected employees to suitable jobs in other companies, taking into consideration their physical and mental conditions, skills and experience. Employees who are re-deployed should also be provided with the relevant training.

### **2. Shorter work week, temporary layoff or other work arrangements**

Workers and trade unions (if workers are unionised) should be consulted on the implementation of shorter work week, temporary layoff, flexible work schedule or other flexible work arrangements, in any appropriate order, as well as the level of payment to be given to the affected workers, taking into consideration the performance and financial position of the company.

#### Shorter Work Week

- Request your 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 and not last for more than 3 months at any one instance subject to review.
- Pay the affected employees not less than half of their salary on the day(s) when the employees are not working, during the period when the shorter work week is implemented.

#### Temporary Layoff

- Request your employees to take up to 50% of their earned annual leave.
- Implement the layoff period such that it does not exceed 1 month at any one instance subject to review.
- Pay the affected employees not less than half of their salary during the layoff period.

## Part-Time Work, Sharing of Jobs and Flexible Work Schedule

You may also consider implementing other work arrangements such as part-time work, sharing of jobs and flexible work schedule, in consultation with the union and workers concerned. Companies may implement them in any particular order depending on the operational needs and the severity of the downturn.

The Employment Act (EA) allows companies to implement the Flexible Work Schedule (FWS) to optimise the use of manpower resources. Companies could make applications to the Commissioner for Labour to be exempted from the EA provisions on overtime payment, pay for work on rest days and public holidays, provided that certain conditions including the safety and health of workers, are met. Applications should be made with the support of workers and unions (for unionised companies). Details on the qualifying conditions can be found on the website <http://www.mom.gov.sg/eservices/services/apply-for-flexible-work-schedule>.

Some companies might find that the above-mentioned measures may be more suitable for rank-and-file workers and less applicable to executives, particularly senior management. In such a situation, other measures may need to be considered with regard to executives, based on the company's circumstances and operational needs, to support its manpower and business strategies to cope with the downturn.

### **3. Flexible Wage System**

If your company has a flexible wage system in place and a reduction in manpower costs is required to avoid retrenchment, you may consider adjusting the various wage components in consultation with the union or workers concerned. The various wage components include:

#### Variable Bonus Payment

This is the first component to be cut during a business downturn as payment is directly linked to the company's performance. 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.

### Annual Wage Increment

If the need arises, the company may also 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.

### Monthly Variable Component

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.

If your company has already put in place an MVC in the wage structure, you can consider adjusting the MVC downwards. The extent of the adjustment would depend on the severity of the downturn, the company's situation and any key performance indicators or guidelines for triggering an MVC cut as agreed with the union or workers.

For a company which has not implemented the MVC but needs to adjust wages downwards, the company could consider treating any cut in basic salary of up to 10% (for management staff, it could be more than 10%) immediately as MVC cut. The company should set clear guidelines to restore the MVC cut through future wage increases or adjustments when their businesses recover. 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. The company should consult their workers and explain the reasons for the MVC cut. If the company is unionised, it should seek the agreement of the union.

### 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 salary to be paid at the end of the year.

The adjustment of the various wage components need not be applied sequentially as listed above, and companies in consultation with their workers or the union, have the flexibility to implement them in any particular order depending on the financial situation of the company and the timing in which it is adjusted.

#### **4. Other cost-saving measures**

The tripartite partners recognise that some companies may have to implement more severe cost cutting measures, in addition to measures such as shorter work week and temporary layoff. These companies may have to consider implementing no pay leave, in order to survive and to save jobs as the downturn prolongs.

In implementing no pay leave,

- Companies should have considered / implemented other measures, and after consulting workers and unions (if the company is unionised);
- Companies should recognise its impact on rank-and-file workers in determining the extent and duration of the measure;
- Senior management to lead by example, by accepting earlier and/or deeper cuts in cost cutting measures;
- If business conditions warrant it, companies could apply no pay leave in conjunction with other cost cutting measures.

During the no pay leave period, management should also arrange to send the affected workers to training. This will help upgrade workers' skills and employability for the benefit of both the workers and the company in the long run.