

# Sustainable Labor Cost Management in Context of COVID-19 Crisis

**A legal / HR webinar discussing how companies can address pressures to contain or reduce labor costs in the current environment**

Singapore/Malaysia/Indonesia – 2020

welcome to brighter



# Your speakers today



## ALLEN & GLEDHILL

### AARON LEE

*Partner, Allen & Gledhill*

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Aaron is a commercial litigator with a particular expertise on employment, white collar, regulatory and compliance and corporate governance matters.



## MERCER

### GODELIEVE VAN DOOREN

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Godelieve is the Regional Industry Leader for Talent for Mercer in Asia-Pacific, and leads several industry forums comprising of leading High Tech, eCommerce/ Internet, FMCG and Retail companies across the region.



## MERCER

### DHRUV MEHRA

*M&A Engagement Leader, Asia  
Mercer*

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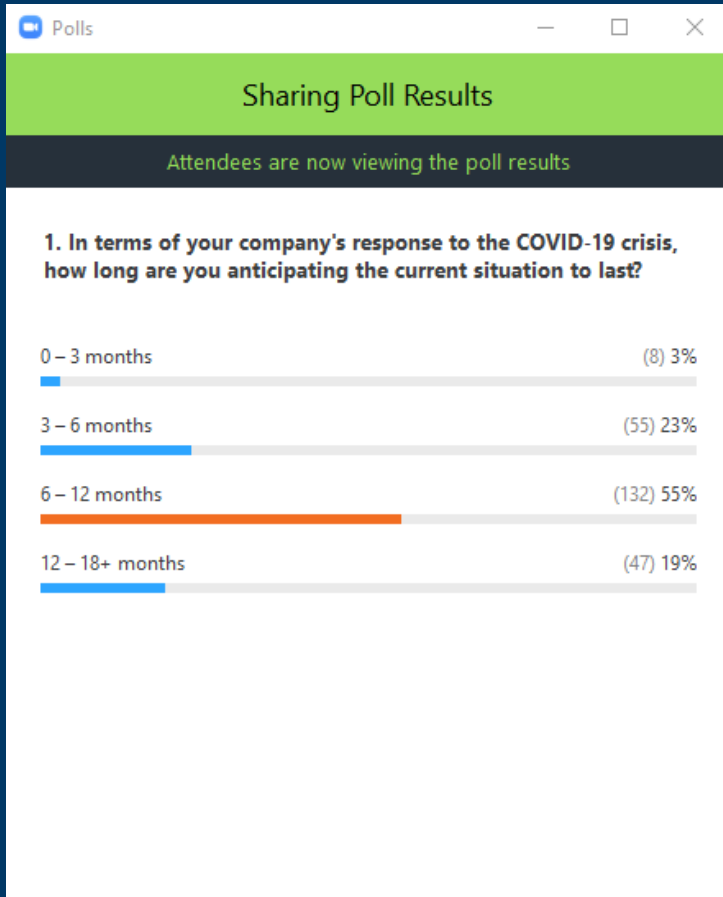
Dhruv leads Mercer's Asia advisory team supporting the people and organization aspects of complex multi-country business transformation.

# Agenda

- 01** Covid-19 and its impact on organizations
- 02** Legal issues and Trends in a time of crisis
- 03** Labor cost management measures and suggested approach
- 04** Key legal considerations in implementing those measures
- 05** Key HR considerations and opportunities in connecting today's actions with the mid/long term view
- 06** Q&A with Speakers and Panel

# Audience poll - Question #1

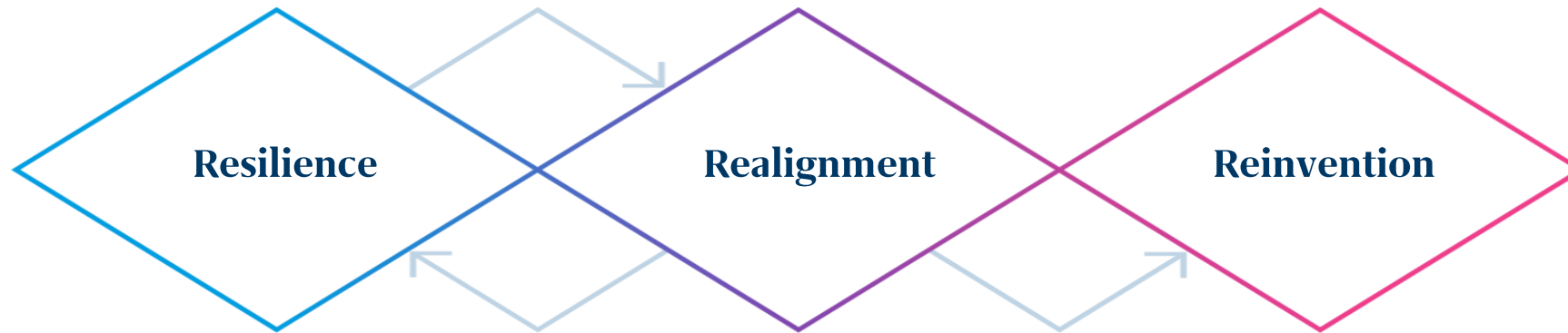
Q: In terms of your company's response to the COVID-19 crisis, how long are you anticipating the current situation to last?





# The Three R's: A framework for recovery

The COVID-19 pandemic has changed the way we work, and as we navigate these uncharted waters we find ourselves dealing simultaneously with a health, digital and economic crisis.



Objective: keep people safe, healthy and well informed

- Activate BCPs
- Focus on employee health and safety
- Move to adaptive working (distributed working and split teams)

Objective: keep people working while managing cost carefully

- Support people managers
- Realignment goals & costs
- Fix technical issues
- Observe "new [community] rules"

Objective: find out what we can learn from the challenges we are facing

- Start to invest in new growth opportunities?
- Re-organize to embed learning from disruption?
- Adjust work to fit smaller teams?

Objective: Fully re-enter the physical world and accelerate

- Act with caution to avoid another outbreak?
- Support people going back to work?
- Find new ways to reach customers?

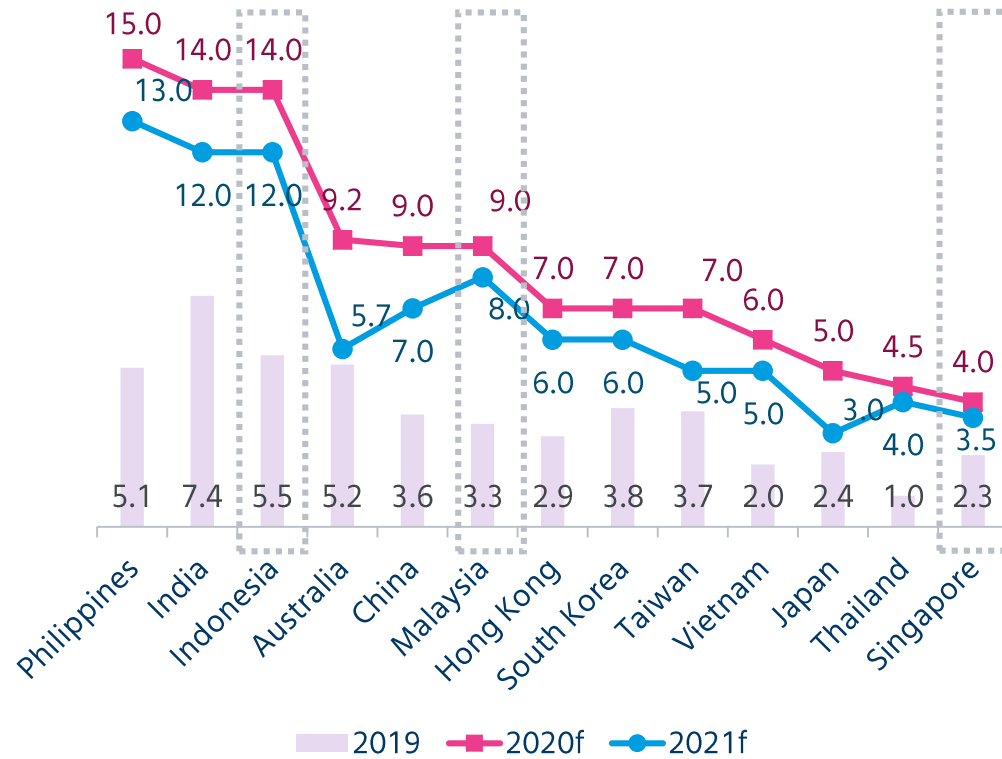




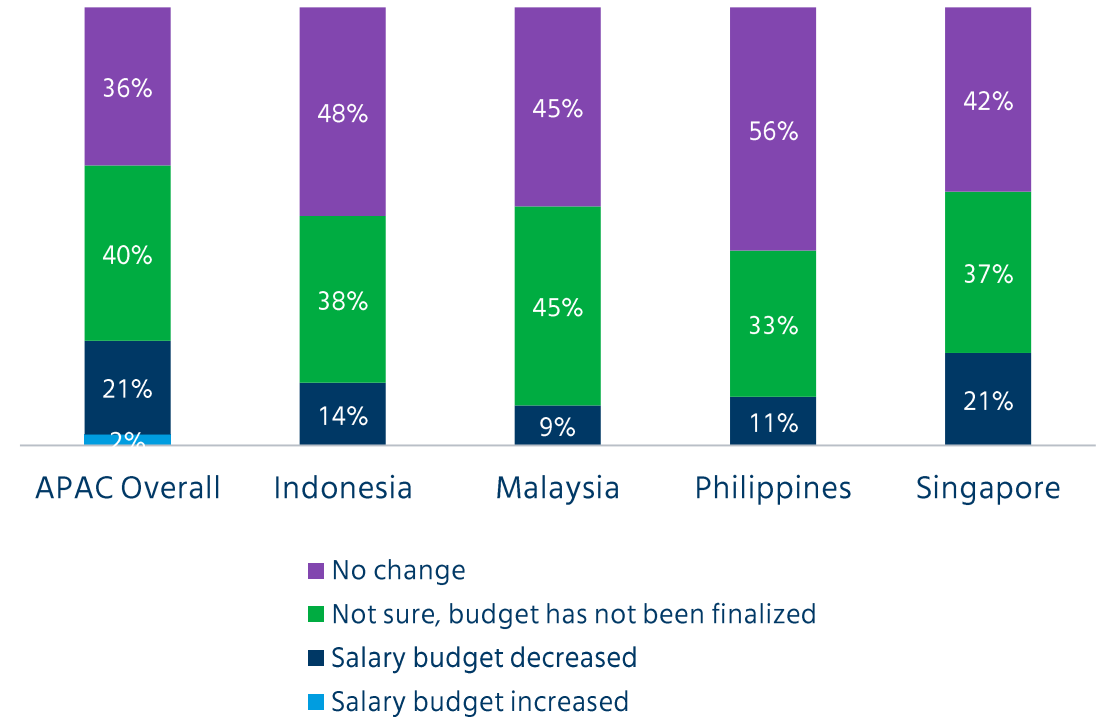
# Many will be forced to take measures to face its financial impact

With unemployment set to increase across the region, employers will also need to balance short and mid-to long-term measures to contain or reduce labor costs in order to ensure its financial health

### Unemployment rate, %



### % of companies where 2020 salary increase budgets were affected due to COVID-19



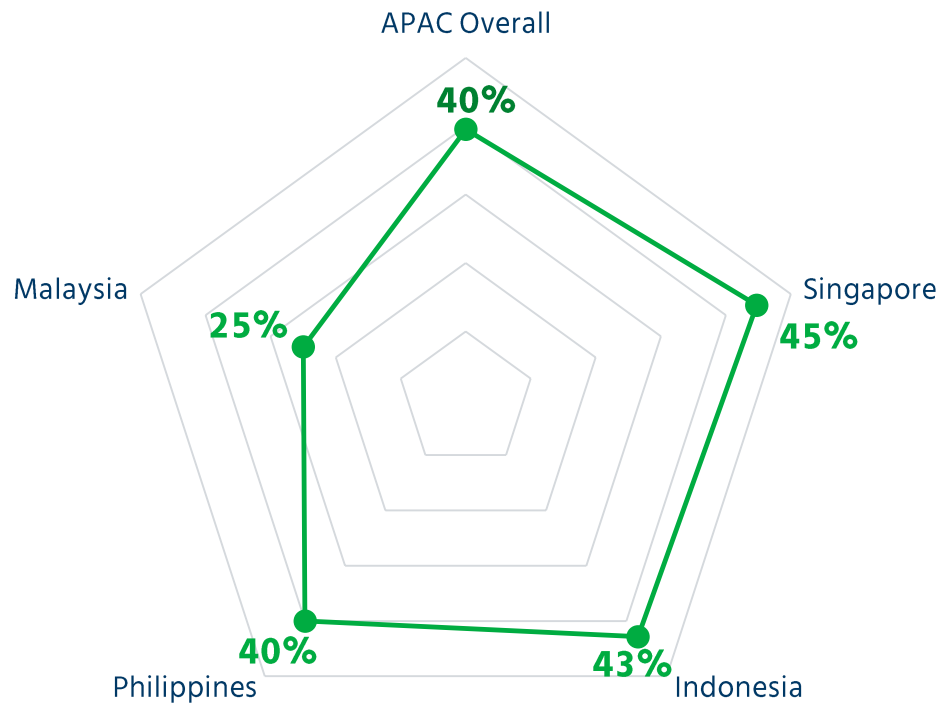
Source: Mercer COVID-19 Global Survey, APAC results



# Labour cost containment measures

Majority are seeking alternatives to reduction in workforce

**% of companies considering any form of labor cost reduction in 2020 due to impact of COVID-19**



Among the APAC companies that are considering any form of labor cost reduction,

**59%**

are first implementing other labor cost-containment activities to try to avoid the need for reductions-in-force





# Covid-19 And The New Normal - Singapore

## The Impact Of Covid-19 on Work and The Workplace

- Singapore: 'Circuit Breaker' measures under the Covid-19 (Temporary Measures) (Control Order) Regulations 2020
- Varying degrees of restrictions / measures implemented in other countries around the region and the wider world
- Even when the various measures are eventually lifted, Covid-19 would undoubtedly have permanently changed the workplace landscape

## The New Normal - Immediate Considerations

- Ministry of Manpower advisory: Impact on business / social engagements and interactions
- Travel restrictions and impact on international travel and mobility
- Business / economic recovery

## THE New Normal – Looking At The Longer-term

- Work from Home (WFH) or flexible working arrangements more widely accepted / preferred
- Increased focus on business contingency planning and preparedness
- Increased dependence on technology
- Need to anticipate and prepare for future trends and challenges





# Impact in Malaysia and Indonesia

## Malaysia

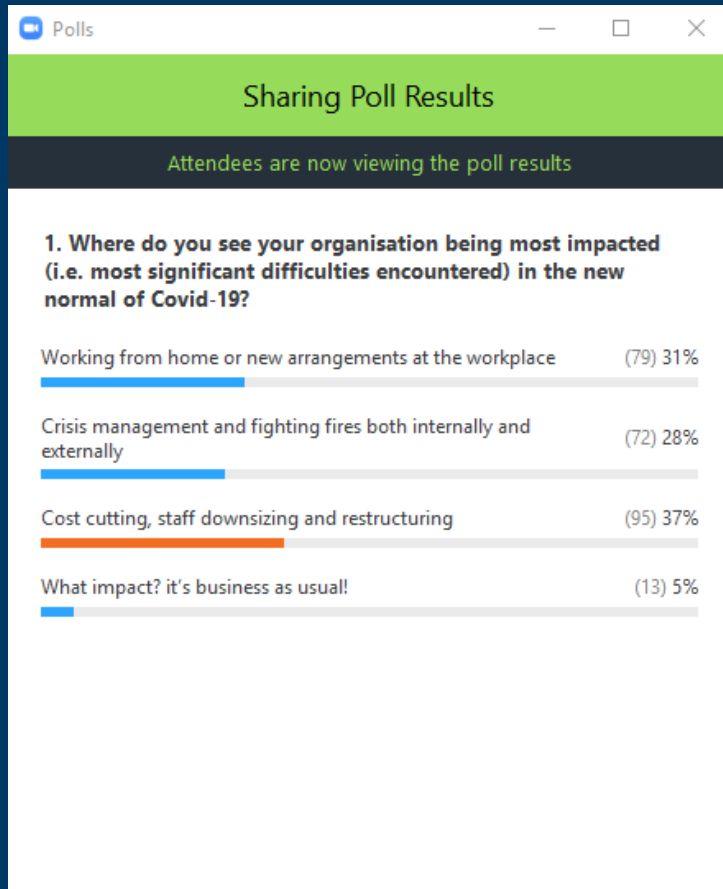
- Position is largely similar to Singapore
- Most businesses were not permitted to operate. Travel restrictions are in place – both interstate and international, which affects mobility.
- Movement Control Order (“**MCO**”) (18.3.2020 to 9.5.2020) and Conditional Movement Control Order (“**CMCO**”) (10.5.2020 to 9.6.2020).
- Cash flows, revenue and profitability of companies are severely impacted.
- Even as different economic sectors are slowly being re-opened, there are strict SOPs that are put in place which must be complied by companies, thereby changing the way a company operates – This will be the “NEW NORMAL”.

## Indonesia

- Position is also generally the same as in Singapore.
- The Indonesian government has requested companies to prepare working from home protocols and take measures to control the spread of Covid-19 as well as to handle Covid-19 cases in the workplace.
- Provincial regional governments with a high number of positive cases (red zones) have imposed temporary “Large Scale Social Restrictions”, including requiring businesses to shut down their workplaces and implement work from home systems instead.
- Exceptions apply including but not limited to government offices and companies in the health; food and beverages; energy; communication and technology; finance; logistics; hospitality; construction; strategic industries and other sectors that relate to basic human needs.
- Longer term considerations include the formation of special sanitation forces, working from home or workplace limitations and working efficiently.

## Audience poll - Question #2

Q: Where do you see your organisation being most impacted (i.e. most significant difficulties encountered) in the new normal of Covid-19?





# Legal Issues and Trends in a Time of Crisis

Law firms see rise in queries on Employee Rights, Employer Obligations and other related issues (including health and safety) as a result of pandemic and economic slowdown



- **Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment** (updated on 11 March 2020)
- **Retrenchment rights and obligations** – Statutory or contractual? How to determine quantum?
- **Alternatives to retrenchments** – Adjustments to work arrangements, Direct adjustment to wages and no-pay leave
- **Mandatory notifications** – When to make mandatory notifications to the Ministry of Manpower?



- **Impact of MCO and CMCO on companies and employers**
- **Mandatory SOPs** – Changes to the working landscape: temporary or permanent?
- **Requirements and entitlements to various economic stimulus packages introduced**
- **Mandatory notifications** - Employers must notify the Labour Department of the cost-cutting measures by filing the requisite PK forms (30 days prior)



- **Stricter health and safety environment to control the spread of Covid-19** – including the requirement of operating industrial companies to conduct “rapid tests” on employees
- **Unpaid leave (upon a request by the employer), furlough, redundancy requirements** – unpaid leave / furlough not regulated and unprecedented
- **Potential relief to employers in the form of Omnibus Bill on Job Creation**



# Government Measures



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## Various government measures introduced to try and prevent and/or mitigate retrenchment



- **MOM advisory on retrenchment benefit payable to retrenched employees as a result of business difficulties due to COVID-19 issued on 20 May 2020** – emphasises the wide range of measures available and how retrenchment should be last resort. Support for retrenched employees include Workforce Singapore; Employment and Employability Institute; Covid-19 Support Grants
- **Jobs Support Scheme** – first introduced in the ‘Unity’ budget as a temporary scheme to help enterprises retain local employees by providing wage support. Subsequently enhanced in the ‘Resilience’, ‘Solidarity’ and ‘Fortitude’ budgets
- **Other Singapore Government Measures** – Foreign Worker Levy waivers and rebates, Property and Corporate Tax relief, financing support (e.g. Temporary Bridging Loan Programme), training and upgrading (e.g. Enhanced Training Support Package)



- **Employee Retention Program (“ERP”)** – Employees who are on unpaid leave during the MCO Period may be entitled to participate in the RM600 monthly scheme under the ERP for a period ranging from one to six months, as announced by the Social Security Organisation
- **Wages Subsidy Program (“WSP”)** – Among other requirements, must show decline in revenues of more than 50% in the months following when compared to the month of January 2020



- **Employment-related measures** – state compensation schemes, training
- **Economic stimulus measures** – credit restructuring and financing for small and medium businesses
- **Other measures** – tax incentives for certain business sectors, relief on the payment of electricity bills for the industrial sector



# Retrenchment / redundancy requirements



- **Notice:** To follow contractual or statutory notice period. However, employers encouraged to adopt longer notice periods.
- **Retrenchment benefit eligibility:** Generally, depends on contract of service. Employees covered under Part IV of the Employment Act with less than 2 years' service are not entitled to any retrenchment benefits.
- **Quantum:** Depends on collective agreement or contract of service. Prevailing norm is 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.
- **Other requirements:** Mandatory notification requirements. See also Tripartite guidelines and MOM advisories.



- **NOT EASY** in Malaysia – Pro-employee state. Forms must be filed with Labour Dept 30 days before.
- Must observe **LIFO principle**.
- Notice must be given – as per terms of contract OR the Employment Act 1955 (“**EA**”) for EA employees. If EA employee, must pay retrenchment benefits which are dependent on duration of employment.
- During this **PRESENT TIME** – must consider the restrictions imposed under the stimulus benefits that may have been applied for.



- **Permitted on condition** that the company will be closed, either permanently or temporarily.
- **Requires a prior order** from the Industrial Relations Court.
- Imposes an **obligation to pay a termination package**, which comprises a severance pay component, service pay component and compensation component.



# Practical considerations



**Regulations in place as a relief for inability to perform contracts?**

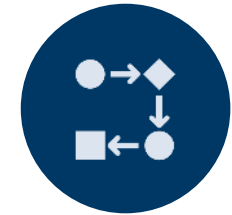


**Closure of borders & travel restrictions**

- Difficulty in transferring talent across jurisdictions
- Retaining local talent?
- Wildcards? (e.g. aftermath in SG after MCO implemented)



**Reviewing and strengthening contracts? (e.g. wage revisions, annual leave)**



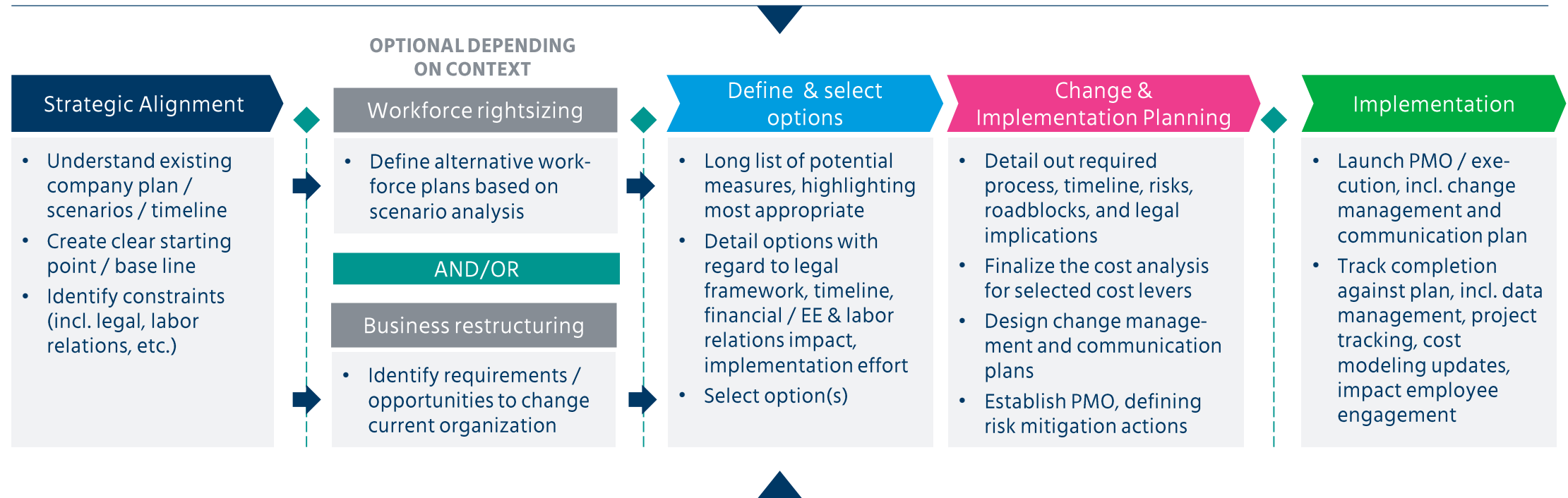
**Is money and resources put in the right places? (e.g. the right infrastructure)**



# A suggested approach for labour cost management

An approach at the centre between country regulatory frameworks and the need for companies to consider both economics and empathy in their approach

## ECONOMICS



## GOVERNMENT & LAW

## EMPATHY



# Appropriateness of measures depend on local practice and legislation

But employers ought to keep some consistency across countries in order to strengthen their message to employees & stakeholders

Short term labor cost containment measures

longer term labor cost reduction measures

Cut hiring / spend (e.g. events, training...)	Reduce merit increase / variable pay	Reduction of contingent workforce/ cancel or delay offers	Secondments/ workforce sharing	Use annual or paid leave / (over)time account	Furlough/ Forced leave / short time work	Natural attrition / Voluntary leave prog.	Reduction of salary/ perks	Early retirement	Mass redundancy	Site closure
N   😐	N   😞	\$   😐	N   😊	\$   😞	\$\$   😐	\$   😊	\$\$   😡	\$\$\$   😐	\$\$\$   😡	\$\$\$   😡

### COST SAVINGS

N = Neutral / limit cost increase	\$ = Low	\$\$ = Medium	\$\$\$ = High
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### IMPACT ON EMPLOYEE ENGAGEMENT

😊 Positive	😐 Neutral	😞 Negative
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### DIFFICULTY TO IMPLEMENT

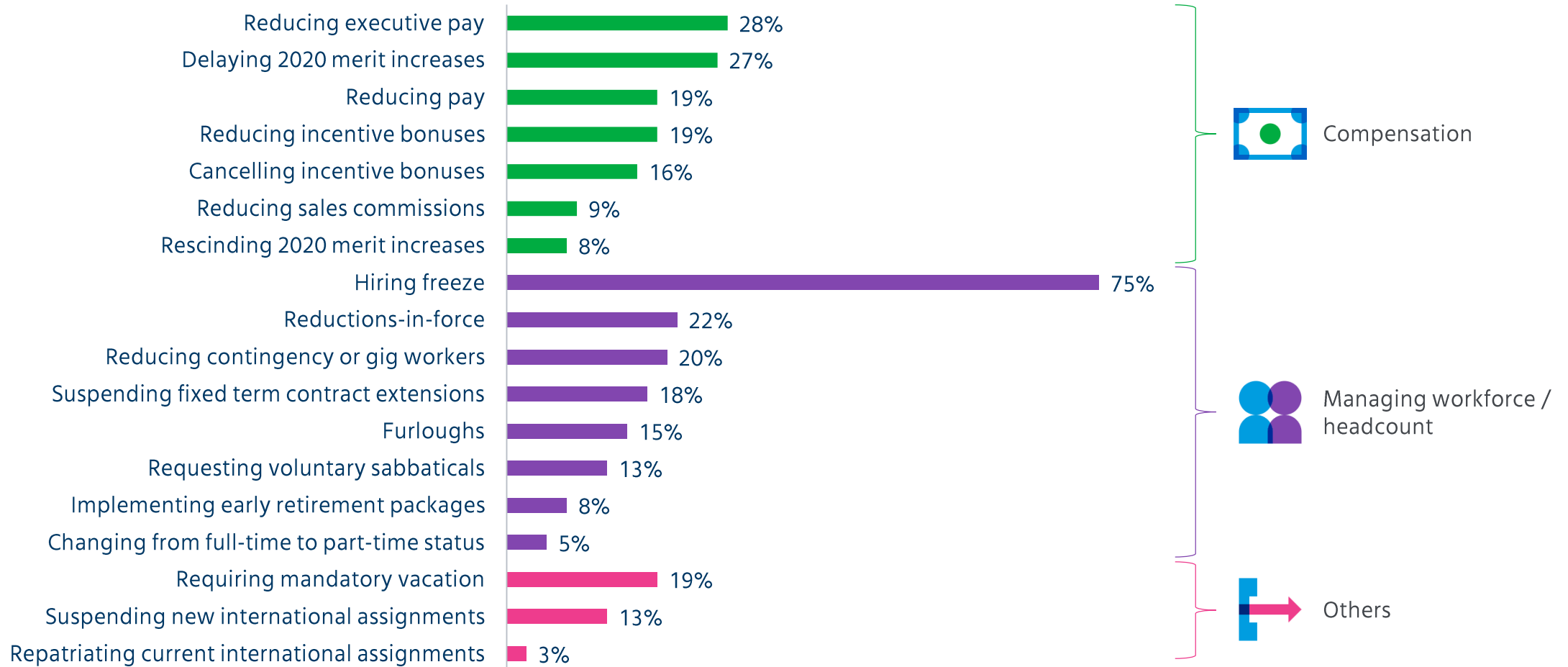
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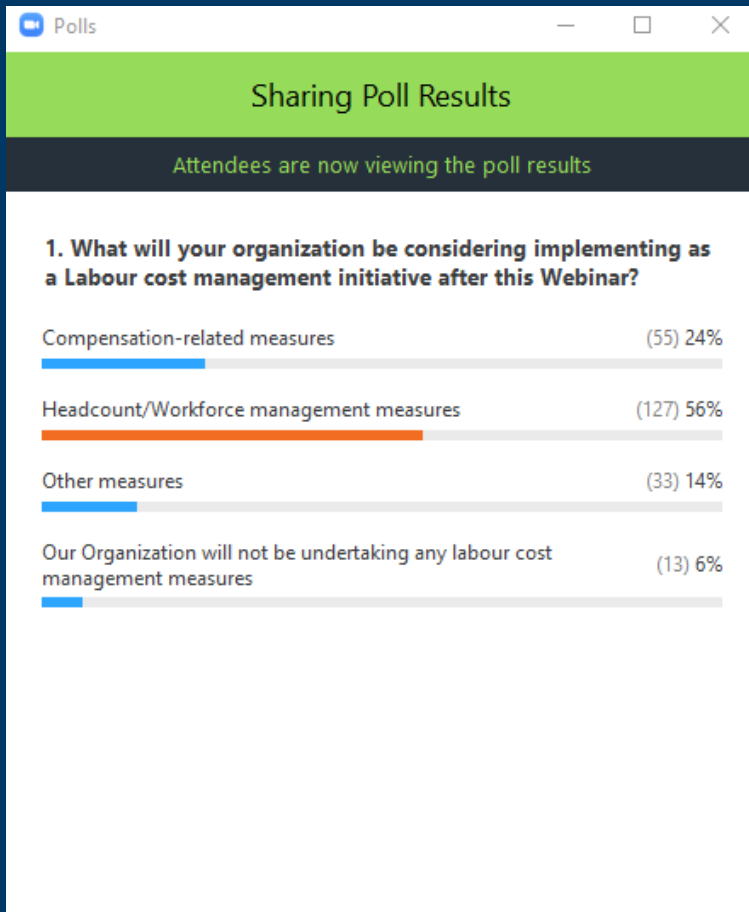
# Labour cost management measures

What are the employers implementing in APAC region?



## Audience poll - Question #3

Q: What will your organization be considering implementing as a Labour cost management initiative after this Webinar?



# Its imperative that companies are thinking and planning ahead

## A balance of empathy and economics will ultimately win



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During these uncertain times, some companies might need measures to manage current costs; but businesses should not be short-sighted as they will need employees when business starts picking up again

While legal rights and entitlements are one thing, should companies rigidly insist and mow and power their way through this crisis?

It is critical to **balance economic decisions and empathy** with a **longer-term look** toward what's the next right thing your company needs to do to succeed and build a better, brighter tomorrow

A hand holding a pen, symbolizing writing or answering questions. The background is a gradient of blue and green.

# Q&A

