

Law &amp; Policy Group

**GRIST**

# Singapore strengthens responsible retrenchment principles

*By Fiona Webster and Stephanie Rosseau*  
20 Oct 2020

Singapore's Ministry of Manpower (MOM) has released the updated Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment, which was agreed to by the tripartite partners (MOM, the National Trades Union Congress and the Singapore National Employers Federation). The advisory includes three annexes covering cost-saving employment measures to preserve jobs; a checklist of responsible retrenchment practices; and prior notification to impacted employees and the payment of a retrenchment benefit. Tripartite advisories outline progressive workplace practices for employers to adopt.

## Highlights

### Cost-saving measures to maintain employment (Annex A):

- Changes to working arrangements that don't include pay cuts (for example, redeployment and flexible work scheduling).
- Adjustment of work arrangements that require pay cuts (for example, part-time work, job sharing, a shorter working week and temporary layoffs).
- Direct wage adjustments to address extremely poor or uncertain business conditions, and likely for the longer term. Employers should consult with labor unions and employees to reach an agreement before implementing such measures. Measures could include the reduction of the annual increment or the introduction of a wage freeze, depending on the company's financial position. Employers that operate a flexible wage system could consider adjusting certain wage components (for example, variable bonus payments, annual wage supplements, monthly variable components and other allowances) to reduce costs.

- Introduction of no-pay leave, but employers should consider other measures before they introduce it, and consult with labor unions and employees about the impact and duration of such leave. If necessary, employers could implement no-pay leave with other cost-saving measures.

### **Checklist of responsible retrenchment practices (Annex B):**

- Employers should ensure layoffs occur “in a responsible and sensitive manner” and first consider all other cost-saving measures.
- Objective criteria (such as ability, skills and experience) must be used to select employees for retrenchment. Employers must not discriminate on the grounds of age, race, gender religion, marital status, family responsibility or disability. The Ministry of Manpower will investigate discrimination complaints and employers’ work permit privileges could be suspended.
- Employers are encouraged to maintain “proportionately” more Singaporean nationals during retrenchment, “to take a long-term view of their manpower needs,” and maintain a strong Singaporean core.

### **Notification requirement and retrenchment benefit (Annex C):**

- Employers should provide clear notification and communication with affected employees, including information on how the retrenchment would be carried out. The statutory notice period set out in the Employment Act should be extended if possible. Employers should provide support for retrenched employees, including payment of the retrenchment benefit, and help to find new employment, including training. Employees with at least two years of service are eligible to receive the retrenchment benefit, and employees with less service could be granted an ex gratia payment by their employer.

## **Related resources**

### **Non-Mercer resources**

- [List of tripartite guidelines and advisories](#) (Ministry of Manpower)
- [Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment](#) (Ministry of Manpower, 17 Oct 2020)

### **Mercer Law & Policy resource**

- [Singapore announces new labor market initiatives to boost jobs](#) (31 Aug 2020)

*Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.*