



ADVISORY ON RETRENCHMENT BENEFIT PAYABLE TO RETRENCHED EMPLOYEES AS A RESULT OF BUSINESS DIFFICULTIES DUE TO COVID-19

Issued on 20 May 2020

1. The COVID-19 pandemic is an unprecedented crisis that has resulted in business difficulties for many employers as well as put jobs and employees' livelihoods at risk. Hence, helping businesses stay afloat and safeguarding employees' livelihoods are equally important. The tripartite partners are issuing this advisory to guide employers and employees on retrenchment benefit payable if retrenchment is inevitable.

Retrenchment should always be the last resort to manage manpower costs

2. There is a wide range of support measures provided by the Government, including training grants and financial support, to help employers manage their manpower costs. Under the Jobs Support Scheme (JSS)¹, employers would receive four pay-outs in April, May, July and October 2020, with enhanced pay-outs in April and May at 75% of monthly wages. Employers should tap on the Government's JSS to retain employees and provide them with baseline wages even when they are not working. This baseline wage, which may vary from company to company, should be mutually agreed upon between employers and their employees or unions, taking into consideration the level of Government support available and the financial position of the company. Instead of retrenching employees to manage manpower costs, employers should consider implementing cost-saving measures as outlined in the *Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment* ("*Tripartite Advisory*") to save jobs.

3. Notwithstanding the various Government support measures, some employers may still have to carry out retrenchments² to manage costs in the current economic climate, or to restructure their businesses. If retrenchment is inevitable, employers should provide retrenchment benefit depending on their financial position, as follows:

(i) *Employers in sound financial position*

4. Employers who are in sound financial position³ should continue to pay retrenchment benefit according to their existing employment contracts, collective agreements, memoranda of understanding, or the prevailing norms for retrenchment benefit (between 2 weeks and 1 month salary per year of service) stated in the *Tripartite Advisory*.

¹ Please refer to [MOF's press release dated 21 Apr](#) for more details.

² An employer who terminates an employment contract with no plan to fill the vacancy any time soon is presumed to have retrenched the employee and this advisory will then apply. However, if the employer terminates the employment contract on grounds of poor performance, retrenchment benefit is not payable. In the latter case, the onus is on the employer to substantiate when necessary or should a dispute arise.

³ The tripartite partners note that there are employers who have returned the JSS payments and declined future pay-outs. There are also employers who have donated these payments to worthy causes.

(ii) Employers whose businesses are adversely affected

5. Notwithstanding paragraph 4, for employers whose operations and business prospects are adversely affected, the employer should work with the union or the employees to renegotiate for a fair retrenchment benefit linked to the employee's years of service.

(iii) Employers in severe financial difficulties

6. Despite the various Government support measures available, some employers may still face severe financial difficulties and/or may be on the brink of ceasing business. Retrenchments may thus be necessary in such cases to keep the business afloat and to preserve some jobs.

- a. Employers that are unionised should negotiate with their unions for a mutually acceptable retrenchment benefit package.
- b. Non-unionised employers should support their retrenched employees by providing a lump sum retrenchment benefit. Instead of linking retrenchment benefit to employees' years of service, a lump sum of between one and three months of salary could be provided, taking into consideration the JSS pay-outs that employers have received and their financial position.

Consideration for lower wage employees

7. In all cases of retrenchment, employers are urged to be more generous towards their lower wage employees (e.g. employees eligible for the Workfare Income Supplement), such as providing them with more weeks of retrenchment benefit pay-out per year of service or additional training grants. In addition, employers should consider and assess all relevant factors carefully, including the impact of retrenchment on the livelihoods of the affected employees.

Support for retrenched employees

8. Employers should support their retrenched employees in seeking new employment, either through their business networks, or by referring them to Workforce Singapore (WSG) or Employment and Employability Institute (e2i) for employment facilitation.

9. Retrenched Singaporean and Permanent Resident employees who meet the eligibility criteria can also apply for the COVID-19 Support Grant⁴ as well as tap on the various training support grants.

10. Employers planning to undergo a restructuring and/or retrenchment exercise should also join NTUC's Job Security Council (JSC), which offers support to both employers and displaced employees, such as outplacement services that match displaced employees to other employers within the JSC network.

⁴ [COVID-19 Support Grant](#) provides a monthly cash grant of up to \$800 for 3 months (i.e. up to \$2,400 in total) to eligible applicants.

Reminder to all employers

11. Employers are reminded to ensure that their employees are treated with empathy and dignity and the retrenchment exercise is conducted in adherence to the *Tripartite Advisory*, i.e. fair selection of employees for retrenchment, early consultation with unions, early communication to affected employees and employment facilitation for affected employees.

12. An employer must also [notify](#) MOM of the retrenchment exercise, if the employer has at least 10 employees and retrenches 5 or more employees within any 6-month period.

13. For further queries, please contact:

a. Ministry of Manpower

[Online Enquiry](#)

www.mom.gov.sg

b. Singapore National Employers Federation (SNEF)

Industrial and Workplace Relations

Email: ir@snef.org.sg (for SNEF Members)

c. National Trades Union Congress (NTUC)

Industrial Relations Department

Email: ntucird@ntuc.org.sg