

**TRIPARTITE ADVISORY ON MANAGING EXCESS MANPOWER  
AND RESPONSIBLE RETRENCHMENT  
(Updated 17 October 2020)**

**Introduction**

The Singapore economy is open and highly exposed to changes in external demand and supply in the global economy. Businesses also 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, some employees will be affected in the process.

**A. PRESERVING JOBS A PRIORITY IN 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, and preserve jobs as far as possible. When faced with excess manpower, retrenchment<sup>1</sup> should always be the last resort, after other feasible options have been considered and exhausted. In this way, employers will retain their core capabilities, inspire loyalty in their workforce, and be well-positioned to emerge stronger in the recovery.

3. Employers should press on with business and workforce transformation. This includes planning ahead and providing employees with reskilling, training and redeployment opportunities, especially for the Singaporean core (e.g. identify suitable employees to fill vacancies that may arise from natural attrition). Such training investments help employers maintain or even strengthen their workforce and increase their workforce resilience. As the employees are equipped with new skillsets and competencies, they could be deployed to cover different roles within the business in times of need.

4. The Government provides significant support to employers who are prepared to invest and develop the capabilities of their local employees. Employers can tap on training support schemes and redeployment programmes under the [SGUnited Jobs and Skills Package](#). Employers may also consider accelerating the formation of [Company Training Committees \(CTCs\)](#) and mid-career conversions to identify potential job displacements and take a pre-emptive approach to reskill at-risk employees as well as to redesign jobs.

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<sup>1</sup> An employer who terminates an employment contract with no plan to fill the vacancy any time soon is presumed to have retrenched the employee.

5. To sustain businesses and save jobs, employers should consider and implement the cost-saving measures in Annex A and follow the guidelines issued by the National Wages Council.

6. When there is a need to implement wage-related cost-saving measures, management should take the lead and, where possible, take an earlier and deeper wage reduction than the rank-and-file employees. Employers should also pay special attention to minimise the impact of any measures on low-wage employees.

7. The principles of close consultation and transparency are critical and should prevail, as cost-saving measures affect the livelihood of employees, especially over an extended period of time. Employers should engage unions and employees to discuss and reach an agreement before implementing such measures. The measures should be regularly reviewed to assess whether they remain necessary and whether other measures are required.

8. 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 they implement.

## **B. RESPONSIBLE RETRENCHMENT AS A LAST RESORT**

9. In the event that retrenchment is inevitable despite having considered or implemented the necessary cost-saving measures, the tripartite consensus is that companies should retrench employees in a responsible and sensitive manner. Annex B provides a checklist on responsible retrenchment practices to guide employers. Retrenchment is a difficult time for all, especially for the affected employees and their families. It is important that employees are treated with respect in any retrenchment exercise.

### **Objective Selection Criteria**

10. Employers must ensure objectivity in the selection of employees for retrenchment. Selection should be based on objective criteria such as the ability, experience, and skills of the employee to support the company's sustainability, workforce transformation and/or future business needs. Employers must apply the criteria consistently and not discriminate against any employee(s) on grounds of age, race, gender, religion, marital status and family responsibility, or disability. For example, older, re-employed as well as pregnant employees should not be unfairly selected. MOM will investigate complaints of discriminatory

employment practices and take enforcement actions for substantiated complaints, such as curtailing work pass privileges of the employer.

### **Maintaining a Strong Singaporean Core**

11. Selection of employees to be retrenched should be based on objective criteria with primary considerations given to employee merit and preserving skills to ensure business sustainability. Employers should also take a long-term view of their manpower needs, including the need to maintain a strong Singaporean core. Retrenchments should generally not result in a reduced proportion of local employees. This can be achieved by retaining proportionately more locals during a retrenchment exercise.

12. Even as we aim to strengthen our Singaporean core, Singapore remains open and welcomes foreigners who can help to grow our economy and create good jobs for locals. Local employees are encouraged to acquire new capabilities from foreign employees with specialised skills. Companies should also at all times put in effort so that niche<sup>2</sup> or business-critical skills of the foreign employees could be transferred to local employees in the longer term.

### **Clear Communication and Notification**

13. Employers should communicate early to their employees, the efforts to manage business challenges and the intent to retrench, before the public notice of retrenchment. This should precede the serving of retrenchment notice to any individual employees, so that they can be mentally prepared for the eventuality. In the early communications to all employees, employers should cover the following:

- Explaining the company's efforts to manage business challenges, and 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

14. Employers must do their part to ensure that the retrenchment is carried out in a respectful manner, and with compassion. This includes the manner in which affected employees are notified and the type of support they receive thereafter. Responsible employers should consider the following good practices:

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<sup>2</sup> Employers can tap on [Capability Transfer Programme](#) to speed up the transfer of global capabilities.

- a) Provide a longer notice period (beyond contractual or statutory<sup>3</sup> requirements) where possible. This could be worked out with the union(s) in the collective agreement and/or memorandum of understanding; or with employees in their contracts of service; or codified in their company HR handbooks.
- b) Prepare managers responsible for notifying employees of retrenchment on delivering the news in a sensitive manner. Notification of retrenchment should be done in person unless impractical to do so.
- c) HR personnel and union representatives (for unionised companies) should be on site to take feedback and answer queries from retrenched employees. Employers should also maintain an open channel (whether in-person or over the telephone) for further questions that may arise as the affected employees adjust to the news.
- d) Give affected employees the time and space to adjust to the news, before requesting them to vacate their workplaces. Employers should not ask affected employees to leave workplaces abruptly or to be escorted out by security officers unless there are legitimate reasons to do so.
- e) Employers should be sensitive to the emotional needs of affected employees. Where necessary, counselling support should be offered.

15. If the company is unionised, the relevant union(s) should be notified early, before affected employees are notified. Where it is provided in the collective agreement, the norm is one month before notifying the employees. Once consensus is reached, both the union and the employer should follow through with the agreement and help the affected employees accordingly.

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

More details on notification requirements are in Annex C.

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<sup>3</sup>The Employment Act 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       |

## **Support for Affected Employees - Retrenchment Benefit and Job Support**

17. Employers' ability to pay retrenchment benefit depends on their financial circumstances at the point in time<sup>4</sup>. As far as possible, employers should pay a reasonable sum to enable the affected employees to move on to new employment opportunities.

More details on retrenchment benefit payable are in Annex C.

18. Responsible employers 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. Employers can work with the unions, SNEF, Singapore Business Federation (SBF) and agencies such as Workforce Singapore (WSG), NTUC's Employment and Employability Institute (e2i), Job Security Council and U PME Centre, to provide employment facilitation<sup>5</sup> services to the affected employees.

19. To help retrenched local employees maintain or build up relevant skills, employers should also consider providing these employees with a training package post-retrenchment. Employers who require assistance to do so can seek help from SNEF, SBF, other trade associations & chambers, the unions as well as training providers, such as NTUC LearningHub.

20. Employers who had carried out retrenchment exercises but subsequently experienced a pick-up in business activities should make a deliberate effort to strengthen their local workforce by hiring locals when they are able to do so.

## **Conclusion**

21. The *Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment* aims to assist and guide employers in managing their excess manpower, preserving jobs and conducting retrenchment exercises 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.

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<sup>4</sup> [Advisory on retrenchment benefit payable to retrenched employees as a result of business difficulties due to COVID-19](#)

<sup>5</sup> Employment facilitation refers to activities that improve jobseekers' employability and help jobseekers secure employment.

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

**Workforce Singapore (WSG)**

[www.wsg.gov.sg](http://www.wsg.gov.sg)

**Employment and Employability Institute (e2i)**

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

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

**Job Security Council (JSC)**

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

**U PME Centre**

<https://www.ntuc.org.sg/wps/portal/pme/home/eappointment/>

Email: [pme@ntuc.org.sg](mailto: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](mailto:mom_lrwd@mom.gov.sg)

**National Trades Union Congress (NTUC)**

Industrial Relations Department

Email: [ntucird@ntuc.org.sg](mailto:ntucird@ntuc.org.sg)

**Singapore National Employers Federation (SNEF)**

Industrial and Workplace Relations

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

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

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

**COST-SAVING MEASURES TO PRESERVE JOBS**

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 the unions and the employees early and communicate the impact of the measures clearly so that a mutually agreeable arrangement can be worked out 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. 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.

**B. Redeployment of employees to other companies**

When there are no other available jobs for the affected employees within the company, employers can consider outplacing them to suitable jobs in other companies, taking into consideration their physical and mental conditions, skills and experience.

### C. Flexible Work Schedule (FWS)

FWS allows employers 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. Under FWS, employers can reduce weekly working hours without adjusting wages, by creating a “timebank” of unused working hours. These banked hours can then be used to offset the increase in working hours in subsequent periods.

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 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](#). Employers that implement such job-sharing arrangements should support employees who are interested to take on part-time or temporary work for another employer<sup>6</sup>.

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<sup>6</sup> [Guide on second job arrangements for employees with reduced work hours in response to COVID-19](#)



## 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 consult unions and employees to reach an agreement** before implementing these measures. If the need arises, the company may consider reducing the annual increment or introduce a wage freeze, the extent of which should depend on the company's financial position. Companies with a flexible wage system in place may also consider adjusting the following wage components to further reduce manpower costs:

i. 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.

ii. 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.

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

The MVC, which forms a part of the monthly 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 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 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 management, 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**

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
- If business conditions warrant it, companies could apply no-pay leave in conjunction with other cost-saving measures

**RESPONSIBLE RETRENCHMENT PRACTICES – CHECKLIST**

Employers may refer to the checklist on responsible retrenchment practices below, as a guide on conducting retrenchment responsibly, if it is inevitable. Employers are also reminded to submit the Mandatory Retrenchment Notifications to MOM in accordance with the Employment Act (see Annex C for details).

|     |   |                              |
|-----|---|------------------------------|
| 1.  | Does the business situation warrant a retrenchment?   | <input type="checkbox"/> Yes |
| 2.  | Did the company tap on government support, put in effort to reskill and deploy employees where possible, before embarking on a retrenchment exercise?   | <input type="checkbox"/> Yes |
| 3.  | Did the company implement other alternatives before embarking on a retrenchment exercise? Examples include, but are not limited to: flexible work schedule, shorter work-week, no-pay leave.  | <input type="checkbox"/> Yes |
| 4.  | Did the company use objective criteria to identify employees to be retrenched and that the criteria used do not discriminate against any employee on the basis of age, race, gender, religion, marital status and family responsibility, or disability? | <input type="checkbox"/> Yes |
| 5.  | Did the company ensure that the proportion of local employees is not lower, after retrenchment?   | <input type="checkbox"/> Yes |
| 6.  | If company is unionised, were the selection criteria and retrenchment benefit discussed and agreed to with the union?   | <input type="checkbox"/> Yes |
| 7.  | Did the company communicate its business situation and retrenchment plans clearly and in a sensitive manner with compassion to employees?   | <input type="checkbox"/> Yes |
| 8.  | Did the company adhere to the notice period for retrenchment in accordance with the employment contract, collective agreement, or the Employment Act?   | <input type="checkbox"/> Yes |
| 9.  | Did the company provide retrenchment benefit in accordance with <i>Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment</i> ?   | <input type="checkbox"/> Yes |
| 10. | Did the company put in place measures to support the affected employees to move on to new jobs, e.g. engaging WSG or e2i for employment facilitation?   | <input type="checkbox"/> Yes |

# 10 THINGS TO CONSIDER WHEN CONDUCTING A RETRENCHMENT



Retrenchment is a difficult time for all, especially for affected employees and their families. It should therefore be carried out with great care to ensure that employees are treated with respect. If retrenchment is inevitable, employers should consider the following steps on how to handle it responsibly and sensitively.

## Efforts to preserve jobs

- #1 Does the business situation warrant a retrenchment?
- #2 Did your company tap on government support as well as reskill and re-deploy employees where possible?
- #3 Did your company implement other alternatives (e.g., flexible work schedule, shorter work-week, no pay leave)?



## Conducting retrenchments responsibly

- #4 Did your company use objective criteria to identify employees to be retrenched and ensure the criteria used do not discriminate based on age, race, gender, religion, marital status and family responsibility, or disability?
- #5 Did your company ensure the proportion of local employees is not lower after retrenchment?
- #6 If your company is unionised, were the selection criteria and retrenchment benefit discussed with and agreed to by the union?
- #7 Did your company communicate the business situation and retrenchment plans clearly and in a sensitive manner to employees?
- #8 Did your company adhere to the notice period for retrenchment in accordance with the employment contract, collective agreement, or the Employment Act?



## Support for affected employees

- #9 Did your company provide retrenchment benefit in accordance with the *Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment*?
- #10 Did your company put in place measures to support affected employees in moving on to new jobs (e.g., engaging Workforce Singapore or NTUC's e2i for employment facilitation)?



For more information on responsible retrenchment, scan here.

Brought to you by:



## ANNEX C

### NOTIFICATION REQUIREMENT AND RETRENCHMENT BENEFIT

#### I. Notifying Government of Retrenchment

- i. Employers must comply with the [Mandatory Retrenchment Notifications](#) requirement under the Employment Act.
- ii. 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.
- iii. 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.

#### II. Retrenchment Benefit

##### *i. Eligibility*

- a. 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.

##### *ii. Quantum*

- a. 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.
- b. 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 salary for each year of service<sup>7</sup>.

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<sup>7</sup> 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.

*iii. Adjustments*

- a. 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.