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PRESS RELEASE

MOM AND TRIPARTITE PARTNERS RELEASE GUIDELINES ON MANAGING EXCESS MANPOWER

1. To help companies and workers cope with the impact of the sharp economic downturn, the Ministry of Manpower (MOM) together with its tripartite partners, Singapore National Employers Federation (SNEF) and the National Trades Union Congress (NTUC) have released a revised set of Tripartite Guidelines on Managing Excess Manpower (see [Annex A](#)).

2. The Tripartite Guidelines strongly encourage companies to manage their excess manpower and consider retrenchment only as a last resort. To help save jobs, companies should first consider alternatives such as making use of the Skills Programme for Upgrading and Resilience (SPUR) to send workers for training, redeploying workers to alternative areas of work, implementing shorter work-week, temporary lay-off, flexible work schedule or other flexible work arrangements, and managing wage costs through the use of the flexible wage system.

3. Mr Stephen Lee, President, SNEF said, "These Tripartite Guidelines provide companies with various measures to save jobs. I strongly urge companies to use these guidelines to map out various options to retain their employees as far as possible. Companies should work with their unions to customise the proposed measures to suit their specific circumstances and business conditions. Our tripartite efforts at wage restructuring have also put many companies in a position to reduce wage costs responsibly through the

flexible components that have been built up in better times. We must all work together to help companies and workers to ride through this tough economic phase.”

4. Deputy Secretary-General, NTUC, Mr Heng Chee How said, “This economic crisis will test not only the survival instincts of companies and workers but also their core values. These Tripartite Guidelines will help companies manage excess manpower in strategic and flexible ways, while being fair and socially responsible to their workers. They also let workers and unions help companies conserve resources, stay afloat and fight on. I urge companies to use these guidelines in the right spirit to avoid, delay or minimise retrenchments and save many jobs. Together, we will tackle this downturn and strengthen competitiveness, trust and confidence.”

5. Mr Ong Yen Her, Divisional Director, Labour Relations and Workplaces (MOM) added, “The tripartite partners maintain that retrenchments should be considered only as a last resort, but note that in situations where retrenchment is inevitable, companies are encouraged to discuss with the unions if the company is unionised, to ensure that retrenchment could be carried out responsibly and smoothly. Companies should also notify MOM as soon as possible of any impending retrenchment. This would enable the Ministry and the relevant agencies to help affected workers find alternative employment expeditiously and/or to provide them with relevant training for enhanced employability. “

6 The tripartite partners will continue to monitor closely the employment situation and step up efforts to help companies and affected workers cope with the downturn.

Tripartite Guidelines on Managing Excess Manpower

Introduction

1. The Singapore economy is experiencing a sharp downturn due to the impact of the global financial crisis. This downturn could be a prolonged one and companies, unions and workers need to continue to work closely together to ride out this storm. To help companies and workers cope with this difficult period the Ministry of Manpower, Singapore National Employers Federation (SNEF) and the National Trades Union Congress (NTUC) have formulated the 'Tripartite Guidelines on Managing Excess Manpower' for implementation.

2. In coping with the downturn, the tripartite partners strongly encourage companies to manage their excess manpower and consider retrenchment only as a last resort. To help save jobs, companies should first consider cost-cutting measures including reducing non-wage expenses to reduce overall business costs. This could also help enhance their competitiveness.

Guidelines on Managing Excess Manpower

3. If your company has insufficient work for your workers, you should take a long-term view of your manpower needs to decide on the best course of action. Instead of retrenchment, you should consider several alternatives to better manage your excess manpower:

- Make use of the SPUR programme to send your workers for training
- Redeploy workers to alternative areas of work within your organization
- Implement shorter work-week, temporary lay-off, flexible work schedule or other flexible work arrangements
- If you have a flexible wage system in place, use it to adjust your wage cost.

Skills Programme for Upgrading and Resilience (SPUR)

4. Companies planning to cut its workforce should instead consider sending their employees for skills training and upgrading under SPUR which will be administered by the tripartite partners. SPUR helps both companies and workers manage the downturn and invest in skills for the upturn. Employers and workers can access high-quality subsidised continuing education and training (CET) at more than 40 CET Centres islandwide.

5. CET training under the Workforce Skills Qualification (WSQ) system covers a wide range of industries and sectors. Each pathway helps workers to upgrade existing skills or gain new skill sets. Where practical, training is made modular to meet the needs of both employers and workers.

6. The benefits of training your workers are:
- Higher company productivity
 - Better management of any excess manpower during this downturn
 - Flexible redeployment of staff to jobs that require higher skills and better knowledge
 - Retention of better-trained and qualified employees who will be more difficult to come by during periods of high labour demand.
7. The SPUR programme provides attractive incentives to help your company defray training and manpower costs. Companies can look up the details of SPUR at WDA's website (<http://www.wda.gov.sg>) from 21 Nov 08.

Shorter work-week, temporary layoff or other work arrangements

8. 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.
- Reduction in work week should not exceed 2 days in a week and not last for more than 2 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 employee is 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.
- Duration of layoff should 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.

9. You may also consider implementing other work arrangements such as part-time work, a flexible work schedule and other flexible work arrangements, in consultation with the union and workers concerned.

10. 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.

Flexible Wage System

11. 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 with the consent of 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 yet to implement the MVC or any flexible wage component in the wage structure but wishes to adjust wages downwards, the company should consult their workers and explain the reasons for the wage cut. If the company is unionized, it should seek the agreement of the union.

Annual Wage Supplement

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.

12. The adjustment of the various wage components need not be applied sequentially as listed above, and companies in consultation with 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.

When Retrenchment Is Inevitable

13. The tripartite partners understand that retrenchments may sometimes be inevitable. In this situation, your company is encouraged to discuss with the unions, if your company is unionised, to ensure that retrenchment could be carried out responsibly and smoothly.

14. Retrenchments should be carried out as a last resort. Companies should notify the Ministry of Manpower (Labour Relations & Workplaces Division) as soon as possible of their impending retrenchment if a decision has already been made. Early notification will enable the Ministry and the relevant agencies to help affected workers find alternative employment expeditiously and/or to provide them with relevant training for enhanced employability. You can notify the Ministry through the following ways:

- Download the notification form at http://www.mom.gov.sg/publish/momportal/en/communities/workplace_standards.html and submit it via:
Email: mom_lrd@mom.gov.sg
Fax : 6535 4811
Post : Labour Relations & Workplaces Division
Ministry of Manpower
18 Havelock Road
Singapore 059764

15. If retrenchment has to be carried out, the exercise should be implemented responsibly. If your company is unionized, the union should be consulted. Companies are also encouraged to give advance notice of retrenchment to the union so that early assistance can be given to the affected workers.

16. As far as possible, affected workers should be informed of their impending retrenchment before notice of retrenchment is given. As a responsible employer, you should also help the affected workers look for alternative jobs in associate companies, in other companies or through outplacement assistance programmes.

Notice Period

17. The duration of notice will depend on what is agreed in the collective agreement or contract of service. If no such period was previously agreed, the following shall apply to workers covered by the Employment Act:

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

Retrenchment Benefits Payment

18. Employees with 3 years' service or more in the company are eligible to claim retrenchment benefit payment. Those with less than 3 years' service could be granted an ex-gratia payment. 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. 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.

Conclusion

20. The 'Tripartite Guidelines on Managing Excess Manpower' aims to help employers and workers to better manage the economic downturn and at the same time reposition our workforce to seize opportunities when the economy recovers. When there is a need to implement any of the above measures, the principle and spirit of leadership by example, close consultations and transparency should prevail. This will enhance the level of trust between employers and workers/unions and help to smoothen implementation. For instance, when salary needs to be adjusted downwards, senior management should lead by example by cutting their salaries earlier or accept similar or deeper cuts.

21. The Tripartite partners would like to urge companies, unions and workers to work closely together to overcome this downturn, and make sacrifices where necessary to ride out the storm. Companies, with the support of unions and workers, should take advantage of SPUR and other skills upgrading programmes to upskill and reposition their workforce so that they could emerge stronger for the benefit of the company, workers and the economy.
