

New Advisory on Retrenchment Benefits

On 20 May 2020, the tripartite partners, i.e., the Ministry of Manpower (“**MOM**”), the National Trades Union Congress and the Singapore National Employers Federation issued a [new advisory](#) (“**New Advisory**”) to guide employers on retrenchment benefits payable to employees.

The New Advisory should be read with the existing [Tripartite Advisory on Managing Excess Manpower and Responsible Retrenchment](#) (“**Existing Advisory**”).

Retrenchment as the last resort

Employers should note that retrenchment should always be the last resort. Employers should first consider the wide range of support measures made available by the government. Employers should also consider implementing cost-saving measures as outlined in the Existing Advisory, as an alternative to retrenchment.

Retrenchment benefits

We set out a table below summarising the recommended retrenchment benefits payable under the New Advisory, should retrenchment be inevitable. Employers should continue to refer to further updates published by the relevant authorities.

Employer’s financial position	Retrenchment benefit
Sound financial position	As stipulated in existing employment contracts, collective agreements, memoranda of understanding, or the prevailing norm of between <u>2 weeks and 1 month salary per year of service</u> .
Businesses adversely affected	A <u>fair retrenchment benefit linked to the affected employee’s years of service</u> , as renegotiated between the employer and the employee or unions.
Severe financial difficulties	<p><i>Unionised employers</i></p> <p>A <u>mutually acceptable retrenchment benefit</u> as negotiated with their unions.</p> <p><i>Non-unionised employers</i></p> <p>A <u>lump sum retrenchment benefit of between one and three months of salary</u>.</p>

Lower wage employees

Employers are urged to be more generous towards their lower wage employees (e.g., employees eligible for the Workfare Income Supplement), by providing them with more weeks of retrenchment benefit per year of service and/or additional training grants. Employers should consider the impact of retrenchment on the livelihoods of the affected lower wage employees.

Support for retrenched employees

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

Additional requirements

Employers must ensure that the retrenchment exercise fulfils the requirements set out in the [Existing Advisory](#). An employer must also [notify](#) MOM of the retrenchment exercise, if the employer has at least 10 employees and retrenches five or more employees within any six-month period.

If you would like information or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:



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