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We welcome your views. Please complete the feedback form on page 20.

PREFACE

With increasing competition and globalisation, companies need to constantly restructure their businesses to enhance their competitiveness and remain viable. This may result in excess manpower which has to be handled appropriately so that the objectives of restructuring can be better achieved and that workers' interests will not be compromised.

In the face of excess manpower, companies have adopted various measures to deal with the problem. Some have taken the decision to retrench the redundant employees. Others have devised innovative measures, such as shorter workweek and temporary layoffs, to avoid retrenchments. Some took the opportunity of the lull period during a downturn to develop and upgrade the skills of their employees so that they would be better equipped to meet the needs of company when the business recovers.

As part of the Ministry of Manpower's effort to promote the adoption of good HR practices, we are publishing this case study which highlights the experiences of 4 companies which had successfully managed their excess manpower. We hope that the practical examples presented in this study will serve as a useful reference for companies with excess manpower and will help them formulate appropriate strategies and measures that could better meet their corporate objectives and the needs of their employees.

The 4 companies highlighted in this case study are: **Micron Semiconductor Asia Pte Ltd, Philips Electronics Singapore Pte Ltd, Keppel Hitachi Zosen Limited and Development Bank of Singapore.**

Case I
Micron Semiconductor Asia Pte Ltd (MSA) made a strategic decision to retain its excess manpower of 600 operators, about half of its workforce, when faced with a temporary lull in production due to economic and business downturn while undergoing restructuring as a newly acquired semiconductor company.

Case II
Business rationalisation to relocate production of low-end consumer products to the region resulted in two major retrenchment exercises in Philips Electronics Singapore Pte Ltd, first of about 750 workers, then of another 500 workers 14 months later. The affected workers were given the necessary support and assistance in finding alternative employment.

Case III
Challenged by stiff competition and excess capacity worldwide, three shipyards forged a merger into one organisation, Keppel Hitachi Zosen Limited (KHZ), with only minimal retrenchment of 132 workers out of its 3,500 workforce.

Case IV
When the Development Bank of Singapore (DBS) acquired the Post Office Savings Bank of Singapore (POSB) to strengthen its market leadership position, it envisaged absorbing all staff of POSB, providing them with better prospects and a broader scope of career opportunities. After the consolidation exercise, only a handful of employees could not be redeployed or had to be outplaced, out of a 5,000 workforce.

CASE I – MICRON SEMICONDUCTOR ASIA PTE LTD

Acquisition: Gearing Up For Future Production

In 1998, Micron Technology Inc (MTI) purchased Texas Instruments Inc's (TI) worldwide memory semiconductor business. This purchase included the Singapore memory manufacturing operations, which had been operating in Singapore since 1960. As a result of the acquisition, Micron Semiconductor Asia Pte Ltd (MSA) was incorporated as a subsidiary of MTI on 30 September 1998.

The immediate task was to integrate the new processes successfully, with a product change from 16 MB DRAM to 64 MB DRAM and a major manufacturing process change from TI to Micron processes. At the same time, MSA was challenged by a turbulent market with manufacturing demand depressed due to the regional economic crisis and a cyclical downturn in the semiconductor industry, with prices of DRAMs falling by about 90% over the preceding 3 years.

The combination of these internal and external factors led to a 80% drop in manufacturing output, resulting in a significant excess of manpower in the workforce of MSA.

The Manpower Challenge

It was estimated that about 600 workers or 50% of the operation workforce would not be needed for a projected three quarters of the year. However, skilled workers would still be required for the rapid ramp up in production using Micron processes.

The semiconductor business was a growth area with good future prospects. Training of existing workers was needed to operate new equipment and to adapt to new manufacturing processes.

Strategic HR Response

MSA noted the national concern in Singapore over the unprecedented number of retrenchments. It further noted that the tripartite partners (government, the labour movement and employers) were urging employers to retrench only as a last resort, and to take the slowdown as an opportunity to strengthen organisations' capabilities by training and upgrading workers' skills. It was also aware that a national Skills Redevelopment Programme (SRP) was available to all companies, with government funding to significantly offset the cost of training and upgrading workers' skills.

Having assessed that the excess manpower in MSA was temporary, rather than a situation of long-term or permanent reduced manpower needs, it made a strategic decision to try to avoid retrenchment and, instead, to use the lull period as an opportunity to prepare for the business upturn, leveraging on the SRP to upgrade the skills of its workers. But the bottom-line question was how to offset the costs of retaining and retraining the excess workers when demand for output and profits were down.

Key Initiatives

MSA proposed several alternative measures to reduce costs in the immediate term, in lieu of laying off workers. They received full support from MTI management at the Boise, Idaho headquarters.

a) Cost Reduction Measures

To reduce operating costs, plant-wide efforts were taken at all levels:

- Operational teams were mobilised to obtain material cost reductions, improve productivity, and introduce new products more quickly;

- Employee-led cost reduction teams were introduced, with the motto “Every little bit counts”;
- Cost-savings were made in compensation, including national cost-savings schemes[2]:
  - No variable pay: in line with the National Wages Council recommendation to use the flexible wage system as a means to reduce business costs;
  - Statutory 10 percentage point cut in employer’s CPF contributions;
  - No overtime: in view of the fall in manufacturing output, all overtime was eliminated;
  - Mass vacation: 2 days of mass vacation was implemented every month, over a period of one year.

b) Early Termination of Foreign Workers’ Employment

With the fall in manufacturing output and freeze on overtime for operators, foreign operators who were reaching the end of their contracted periods of employment were offered the option of ending their contracts early and receiving repatriation benefits. Workers who took up the option were given a letter of intent to rehire if the business outlook improved by the end of the year.

c) Partially Paid Leave of Absence

Operators could apply for a leave of absence (LOA) for pre-determined periods at partial pay, with the expectation to return to the company when manufacturing output increased. The scheme was planned and implemented with close collaboration between human resource and senior managers. Information materials were presented and explained at communication sessions with operators from all shifts. They were encouraged to ask questions and clear any doubts. Managers followed-up to explain the programme again in their own departments. Responding to employee feedback, the timing of LOA programmes was modified, and terms were tailored to meet special needs.

d) Skills Redevelopment Programme

Capitalising on the government training incentive, a team of managers from various departments was formed to identify the target group, relevant courses, and practical implementation issues that needed to be addressed. A training needs analysis identified the skills gap for matured employees with less formal education. In July 1998, MSA signed a Memorandum of Understanding (MOU) with the National Trades Union Congress (NTUC) to retrain 729 employees under the SRP. 55% of the trainees were over 40 years old, and 78% had primary or secondary education. With a well-developed training infrastructure already in place in the company, MSA was able to implement an extensive SRP plan within 2 months.

SRP-supported programmes for MSA workers		
Operators	CoCAM	Certificate of Competency in Autonomous Maintenance
QA/Logistics	CLO	Certificate in Logistics
Secretaries	CBS	Certificate in Business Studies
Clerical	COS	Certificate in Office Skills
Store/Logistics	PCS	Programme Certificate in Storekeeping
Purchasing	MRP	Certificate in Materials & Resource Planning

[2] The Singapore Government had introduced several bold measures to help companies survive the regional economic downturn in 1998, including a $10.5 billion cost-cutting package to reduce business cost by about 15%, as well as National Wages Council’s recommendation to cut wage cost by 15%.

Because of the large number of operators who were targeted to undergo the CoCAM programme, MSA obtained approval by ITE to be an Approved Training Centre so that it could conduct the course in-house. Its own technicians were trained to be Certified In-House Trainers.

Department managers held meetings with employees to explain the rationale behind the SRP training, convince them of the benefits, and help them overcome their apprehensions to take up the programme.

Outcomes

MSA achieved its desired aims:

- A better trained workforce to meet its needs and challenges at the start of the upswing;
- Retention of skilled employees;
- No retrenchment;
- Cost-cutting and cost-saving measures offset the cost of retaining the excess manpower.

In addition,

- Employee morale was strengthened;
- Employee turnover remained low in the upturn;
- The SRP inculcated the need to train and retrain to have the relevant skills to meet business needs, and made workers more receptive towards learning;
- The initiatives to retain and retrain staff added credibility to the management of MSA in demonstrating that it valued its employees.

Enabling Factors

a) Corporate Philosophy

MSA regards employees as stakeholders and team members in achieving the company's performance and business goals. It also defines contributing towards industry and national goals[3] as its shared responsibility.

b) Strategic HR Practices

HR works closely with business managers in developing policies and decision-making to meet business objectives.

Continuous productivity improvement, learning, and technological excellence are nurtured through:

- Individual development plans, with career progression using education and career advancement roadmaps and job opportunity system;
- Internal training with cross-certification, yearly re-certification, and tailored mandatory and optional programmes[4];
- Performance-related compensation and incentives;
- Extensive communications system;
- Total employee wellness and health programmes.

[3] Micron was the first company to receive the Singapore Quality Award in 1995.
[4] In the early 1990s, Micron launched its Operator-of-the-Future programme to upskill the workforce to match the changing needs of the organisation and enhance production efficiency.

Like many enlightened companies in the US, MSA has opted to retain and train its employees during the lull period so that they would be better equipped to take on jobs that required higher skills arising from the ongoing restructuring process. It had also taken various cost-cutting measures to reduce its operating cost to enhance cost competitiveness.

Cutting Costs Vs Cutting People

A research study by Wayne Cascio, professor of management at the University of Colorado, concluded that companies which practice responsible restructuring tend to do well compared with others in their industry. A decision to downsize, he said, is a cost cutting signal to the investment community, and the cost to a company could increase with more stress-related medical claims, and having to do more hiring subsequently.

In a responsible restructuring – an alternative to downsizing – people are viewed as assets to be developed not costs to be cut. Where there are obsolete positions, companies could retrain its employees for other available positions.

Abstract from The Washington Post Company
March 2001

CASE II – PHILIPS ELECTRONICS SINGAPORE PTE LTD

Business Rationalisation: Relocation of Low-End Production

In 1951, Philips Electronic Singapore started its trading activities. Its manufacturing operations in Singapore commenced at the end of 1969. It was one of the first overseas production locations for Royal Philips Electronics whose headquarters is in the Netherlands. It achieved OHQ status in 1989, and has expanded to employ about 6,000 workers in sales and marketing, industrial production, regional competence centre, as well as design and development activities.

Philips worldwide has operations in more than 60 countries in the areas of lighting, consumer electronics, domestic appliances, components, semiconductors, medical systems, business electronics and IT services. In 2000, System-on-Silicon Manufacturing Co Pte Ltd, a wafer fabrication plant in which Philips is the major shareholder, started operations in Singapore. It is a joint venture with Taiwan semiconductor company and the Economics Development Board (EDB).

Since the 1980s, manufacturing companies operating in Singapore have been following the global trend of relocating low-end production to lower cost countries in the region. More recently, the trend has been to relocate to China and newly-emerging economies with large supplies of low cost labour and growing markets.

Philips Singapore has leveraged on the opportunity provided by the government to locate part of its consumer electronics and domestic appliances production in Batam, thus lowering operating costs while remaining based in Singapore.

The Manpower Challenges

With the regional economic downturn in 1998, cost of production was a major consideration. The downturn in key markets in Asia, coupled with a flat demand from Europe, contributed to volume reduction for products manufactured in Singapore. This provided the impetus for Philips to relocate its production lines for consumer electronics out of Singapore to lower cost manufacturing centres in China, Eastern Europe and Mexico. This restructuring exercise resulted in excess manpower of 750 production operators, technicians and related support staff.

As part of its continuing review of industrial policy and streamlining of industrial operations worldwide, Philips announced in late Feb 2000 that it needed to focus on higher value-added activities such ass research and development in Singapore. It would thus be shifting more of its low-end production to other manufacturing centres, mostly in China, resulting in the retrenchment of 500 workers out of a workforce of 800 in its consumer electronics plant which has been producing television sets and audio products. The remaining 300 workers would provide support to product development in Singapore.

Strategic HR Response

The human resource department functions as a strategic partner within Philips Electronics Singapore, and has been able to anticipate manpower needs over the years and manage its resources with a long-term view.

In the 1990s, it was clear that it would be a matter of time before low-end production of domestic appliances and consumer electronics would be relocated out of Singapore as part of the rationalisation of business worldwide.

In its effort to maintain a lean and flexible workforce in its low-end production in anticipation of an eventual relocation out of Singapore, the following HR strategies were adopted:

- Management was required to carefully assess long-term projections before recruiting staff.
- Vacancies had to be filled from within the organisation unless present staff could not meet the requirements.
- Contract workers rather than full-time workers were recruited to meet increased demand to provide flexibility when demand fluctuates.

The decision to relocate its productions lines in 1998 resulted in an excess of 750 employees. The management informed the union, a branch of the Union of Workers in Electronics and Electrical Industries (UWEEI), of the situation. They worked together to ensure that the retrenched workers were given as much support and help as possible in finding alternative work.

Key Initiatives

The top priority was to help ensure continued steady income for retrenched workers through:

a) Skills Upgrading and Training for Employability

Philips had been among the first group of companies in Dec 1996 to leverage on the Skills Redevelopment Programme (SRP) which had been initiated by the NTUC. The SRP was aimed at helping workers, especially those who were older and lower skilled, to become more employable through skills upgrading. Together with the union and NTUC, Philips encouraged all workers to take up the Certificate of Competence in Electronic Maintenance under the SRP. This enabled them to upgrade their skills with a nationally recognised certification which would be a stepping stone to take up further training.

b) Counselling and Employment Assistance

On the day that retrenchments were announced in the first exercise in Dec 1999, the company arranged transportation to the Singapore Labour Foundation auditorium where representatives from UWEEI and NTUC were present to help register the retrenched workers with the NTUC Employment Assistance Programme and to answer any queries. During the second retrenchment exercise, a job fair was organised by the Ministry of Manpower (MOM), NTUC and UWEEI to assist affected workers in their job search.

c) Job Matching

The first priority was to help workers get alternative employment, by trying to match them with vacancies in job data banks kept by the NTUC Employment Assistance Programme and MOM Employment Services Department.

In the first retrenchment exercise in Dec 1999, a group of over 30 retrenched workers were identified as having the necessary qualifications to take up further training for a higher skills job such as wafer fabrication. The union approached ST Microelectronics which had vacancies in this area, and got its agreement to interview interested workers.

The union encouraged those qualified or willing to undergo training to consider better higher paying employment opportunities such as wafer fabrication. The company also arranged transportation to take interested workers to ST Microelectronics.

d) Financial Assistance

To minimise the financial hardship in the interim, retrenchment benefits were paid according to the collective agreement: one month's pay for every year of service for those with 3 or more years of service, and 1 week's pay for every year for those with less than 3 years' service. In addition, workers received one month's pay in lieu of notice of retrenchment, and those retrenched in December still received the one month Annual Wage Supplement normally paid at the end of the year.

Outcomes

In both retrenchment exercises, workers who were laid off understood that, like many other companies involved in similar low-end production in the electrical and electronics industry, their work had to be relocated to developing countries for the company to reduce the operating costs and remain competitive. Many had worked with Philips for over 20 years, and this had been their first job. They appreciated the support provided by both management and the union in helping them adjust to the sad reality. Such support has helped to boost the morale and confidence of those who remained working in the plants.

Enabling Factors

a) Corporate Philosophy

Philips puts priority on employee self-development, with the belief that people are its most valued resources. It has earned a reputation for being an enlightened and caring employer[5]. Its demonstrated commitment to its employees, as stated in its HR philosophy is that employees should be:

- Respected
- Challenged
- Encouraged
- Given equal opportunities

b) Strategic HR Practices

HR is a strategic partner in Philips, fulfilling its commitment to employee self-development through:

- Comprehensive company training programmes;
- A joint union-management training grant to support individual learning interests (not necessarily work-related courses);
- Participation in the Skills Redevelopment Programme (SRP), designed with the union and NTUC to encourage workers to strengthen their employability through skills upgrading, especially for older and less-skilled workers;
- An active Quality Circle Convention (QCC) movement, aimed at training and developing personal skills and self-confidence, as well as contributing to continuous work improvement;
- Close partnership with the union who knows its members well, what they want and and how to help them;
- An extensive communication system.

[5] Philips has been recognised for its commitment to its employees with the NTUC May Day Plaque of Commendation, Gold Award, in 1995. In 1992, it had been conferred the Distinguished Partner in Progress Award by the Singapore government. It has also achieved the Singapore Quality Award.

CASE III – KEPPEL HITACHI ZOSEN LIMITED

Merger: Streamlining Operations

With increasingly stiff competition from shipyards in the region and globally, and excess capacity worldwide which depresses profit margins, the shipbuilding industry in Singapore has been under pressure to restructure to maintain and strengthen its position in the market.

This was the driving factor for Hitachi Zosen Shipyard, which had been operating in Singapore since 1970, to merge with Keppel Shipyard in January 1999. To strengthen its operations in the marine business, Keppel Corporation, the major shareholder, consolidated three local shipyards (Hitachi Zosen Singapore, Keppel Shipyard and Keppel Singmarine Dockard) and its shipyards overseas in Philippines and the Middle East under one company to form a subsidiary, Keppel Hitachi Zosen Limited (KHZ). The main benefits of integration would be economies of scale, reduced wastage, greater flexibility and efficiency, synergies of business and operations as the yards could use each other's facilities and manpower and, ultimately, achieve better operating margins.

The Manpower Challenge

The merger resulted in the transfer of some employees performing support or corporate functions either to the other shipyard within the Group or the corporate headquarters, KHZ. The years of service of all the transferred employees were treated as continuous service with the KHZ group. Management's undertaking was to try to retain all employees, and to consider retrenchment only as a last resort. On the other hand, it had to ensure that its manpower resources are utilised optimally to survive in the highly competitive shipbuilding and repair industry.

Strategic HR Response

In the immediate months after the consolidation, management examined how to rationalise operations and administration for greater efficiency.

1. The workforce was already lean because of on-going emphasis on efficient utilisation of resources. For example, foreign workers, which comprised about 20% of the total workforce, were strictly managed with only good performers retained.

2. As far as possible, manpower within the 3 local shipyards was redeployed to optimise and share resources.

3. An effort was made to increase productivity by rationalising existing administrative and work processes and equipping workers to be multi-skilled. With core skill and secondary skills related to the job, workers would be able to handle a wider scope of duties. For example, an electrician could change the ceiling board, instead of passing this work on to a carpenter. A welder could repaint after doing repairs, instead of passing the job on to a painter.

4. After a detailed study of the operational manpower needs, the company decided that it needed only to effect a minimal retrenchment of 132 employees comprising both management and workers from the 3 shipyards, out of a 3,500 workforce.

5. The company informed the Ministry of Manpower (MOM) and the two unions representing its workers – Shipbuilding and Marine Engineering Employees' Union (SMEEU) and Keppel Employees' Union (KEU) – in advance of its intention to retrench workers.

Key Initiatives

Many workers had over 20 years experience and KHZ had been their first and only employer. From past experience of other workers who had left the shipyard, these workers were likely to look for jobs in other industries, rather than seek re-employment in another shipyard. The top priority was to ensure continued steady income for the retrenched workers.

While the number of retrenched workers was minimal, management and unions were concerned about helping those affected as much as possible through:

a) Information Kit

The company confidentially informed the workers to be retrenched individually two days before the announcement, to reduce the trauma for those affected as well as their families. On the day of the announcement on 30 Nov 1999, each worker was given an information kit explaining how he or she could register with the MOM Employment Services Department to seek re-employment. Included in the kit was a testimonial of their service with the shipyard.

b) Job Fair

Two other shipyards in Singapore had also informed that they would be planning retrenchments at about the same time. The MOM and NTUC thus agreed to organise a Job Fair, bringing together companies who were interested to recruit workers from the shipbuilding and repair industry. Management and the union informed retrenched workers about the Fair which was held in 2 weeks time.

c) Job Matching

Management sourced for alternative employment in other companies for workers to consider. They advised the older less skilled workers to take up less strenuous work available in the cleaning and security sectors, and arranged for those with medical problems to find work which was physically less demanding.

d) Skills Upgrading

The union urged workers to take the opportunity to further upgrade their skills to improve their employability and earning potential by signing up for courses subsidised by the NTUC Education and Training Fund (NTUC-ETF). The union and NTUC Skills Development Department could help anyone who needed additional aid or advice.

e) Financial Assistance

Retrenchment benefits were negotiated with the union, providing the affected workers with 2 to 4 weeks of pay for each year of service, depending on the length of service.

f) Counselling

Each individual was encouraged to contact either the HR department or their union anytime in the coming days and months if they needed any help.

Outcomes

The retrenchment exercise was managed smoothly. Those retrenched were given as much support and assistance as possible, and the morale and confidence of those remaining were maintained.

Enabling Factors

a) Corporate Philosophy

A banner at the entrance to the Keppel Hitachi Zosen shipyard reads: "Awareness & Education Committee: Together We Achieve Singapore Quality Class in Year 2000". Top management stresses that it is the process, and not the award, that is important in ensuring that the critical systems are in place in the organisation.

The company practises a people-centred approach which focusses on core values such as:

- Leadership and quality culture
- Continuous improvement and innovation
- Employee participation and development
- Partnerships

b) Strategic HR Practices

1. Communication

   Keeping management and workers informed through several communication channels. Most effective are the Japanese-style daily morning exercises followed by a briefing of key issues, as well as weekly talks and toolbox sessions on safety and quality.

2. Participation

   Line management, employees and the union work together in several ongoing joint efforts aimed at continuous improvement under the Total Quality Process programme:

   - Awareness & Education Committee
   - Rewards and Recognition Committee
   - Cost of Quality Committee
   - Quality Action Team Committee
   - Customer Focus Committee
   - Contractors Committee

3. Continuous Skills Upgrading With Certification

   Keppel Hitachi Zosen conducts all technical training in-house through its training centre which is accredited by the ITE and MOM Occupational Safety & Health Training Centre. It has structured OJT programmes for various trades tailored for shipyard workers, and conducts CoC programmes with the Association of Singapore Marine Industry (ASMI).

   Participating in the ASMI Manpower and Skills Standards Committee, it is involved in the National Skills Recognition System (NSRS), piloting efforts to certify tower crane maintenance.

   It has achieved the goal of equipping 80% of workers, including subcontract workers, with higher skills 6 months in advance of the target date and has set a new target of 90%.

CASE IV – DEVELOPMENT BANK OF SINGAPORE

Acquisition: Strengthening Competitiveness

The global banking industry has been undergoing rapid transformation as characterised by the consolidation of financial institutions. In July 1998, the Development Bank of Singapore (DBS) announced its purchase of the business undertakings of the Post Office Savings Bank of Singapore (POSB) and three of its subsidiaries, Credit POSB Pte Ltd, POSB Investment Pte Ltd and POSB Computer Services Ltd. Bringing together the largest and the fifth largest financial institutions in Singapore would further strengthen DBS's position as the leading banking institution in Southeast Asia and Asia.

The acquisition of POSB would allow DBS to:

- Strengthen its market leadership in Singapore, particularly in retail banking;
- Achieve increased economies of scale in its operations;
- Significantly increase its investments in cutting-edge technology and human resources to position DBS for keener competition ahead;
- Substantially increase DBS's capacity to conduct its banking business.

With the acquisition, DBS would retain the POSB brand and build on its established infrastructure. The consolidated organisation would position DBS as the largest retail banking business in Singapore, with enhanced opportunities for cross-selling, distribution of banking, investment and insurance products, and provision of financial advisory services. Shareholders should benefit from the creation of a stronger, more competitive force in the financial service sector in Singapore and throughout Asia.

The Manpower Challenge

There was an inevitable sense of uncertainty among employees about their employment security. Employees also had to adjust to different management styles, organisational culture, new procedures and the continuous process of change. The two existing unions, POSB Employees Union (POSBEU) and DBS Staff Union (DBSSU), had to merge on mutually agreeable terms.

Strategic HR Response

In its announcement of the acquisition, DBS addressed the implications for existing staff:

1. It would absorb all staff of POSB on their existing terms and conditions of service in the first instance.
2. Both organisations would institute a hiring freeze.
3. It noted that the availability of well-trained and experienced human resources has been and will continue to determine the success of a dynamic organisation.
4. The acquisition would provide all employees with better prospects and a broader scope of career opportunities because of the bank's enhanced position and outlook.
5. One of its immediate priorities was to capitalise on the unique staff strengths and talents of POSB. They would be trained to maximise their individual potential and re-deployed to help achieve the longer term plans of DBS.
6. The successful integration of POSB into DBS would depend on the enthusiasm, cooperation and particularly the creativity of all staff to determine how best to provide better services to an expanded customer base.
7. A circular to staff was sent by the Chairman of DBS assuring POSB staff of their continued terms and conditions of service, with eventual harmonisation with DBS staff on a comparable basis, and training them to meet new job requirements. He also advised them that the Bank had apprised the Union of the acquisition, and was working together on issues that affected their members.

Key HR Initiatives

a) Manpower Adjustments

A consultant was appointed to assist in rationalising operations and the workforce. Management informed the union of changes before briefing the staff with each milestone reached in the process of rationalisation, and encouraged feedback from both the union and employees on concerns or problems in adapting to the changes. There was extensive communication directly between the Chairman and CEO with employees via e-mail.

Some of the key manpower adjustments that were made include:

- Redeployment (eg. with cheque clearing becoming a centralised function, employees were transferred from branches to headquarters);
- Outplacement (eg. with the enveloping function being outsourced to Singapore Post, and maintenance of facilities being outsourced to Resma Property Service Pte Ltd, employees were transferred to these organisations without discontinuity in their length of service).

b) Skills Training/Retraining

The priority was to optimise existing staff capabilities and potential by providing the necessary skills training and retraining. Staff were surveyed to identify their preference for jobs in order to match the skills sets needed by the organisation. In addition, staff were provided with a training road map to help assess and define their training needs.

c) Counselling

Outplacement consultants were appointed to provide general and career counselling.

Outcomes

Redeployment exercise was carried out after extensive skills upgrading and training of staff. As a result, the necessary manpower adjustments were managed smoothly.

Enabling Factors

a) Corporate Philosophy

The recognition of people as its most valued asset is reflected in the shared values of DBS Bank, particularly as elaborated (in italics) below:

- Delighting Customers
- Integrity and Honesty
- Innovation and Enterprise
- Trust and Respect for Staff

  We value the individual contributions of every staff and seek to develop all staff to their fullest potential.
- Team Work

  We, within DBS and the Group, work together as a team to capitalise on our collective strengths.
- Excellence

  We strive to excel and be the best in all we do. To achieve this, we maintain a well-trained and motivated workforce, equipped with the necessary skills and attitude to give of their best.

b) Communication

Regular communication, with union consultation, provided information and assurance to staff as changes were implemented through the consolidation process.

c) Union Leadership

Management had provided the unions with ample notice before the actual consolidation of the two banks in November 1998. The leadership of the two unions, POSBEU and DBSSU, were able to reach agreement very quickly and manage the necessary leadership and organisational adjustments to become one union in January 1999 with advice and assistance from the NTUC.

CONCLUSION

The experiences of the 4 companies in this case study have highlighted the recognition that people are the most valuable asset in a company, especially in Singapore where human resources are limited. Where possible, these companies retained and nutured their employees to contribute to the company's long-term performance and competitiveness. At the same time, they showed concern in addressing employees' needs.

The following are key strategies these companies had adopted to deal with the problem of excess manpower:

(a) Retain as many employees as possible through the introduction of cost-saving measures with retrenchment only carried out as a last resort;

(b) Take advantage of a business downturn to upgrade the skills of the excess workers so that they are better equipped to meet the needs of the company when business recovers;

(c) In situations where retrenchment is unavoidable, minimise the adverse impact on employees by giving them as much advance notice as possible, and providing them with information and support to help them source for alternative employment, apart from paying a reasonable retrenchment benefit to help them tie over the difficult period;

(d) Ensure the morale and loyalty of existing employees are not undermined;

(e) For all of the above, the most important strategy is to communicate, communicate and communicate.

The diagram below summarises the strategies that can be adopted, after assessing whether excess manpower is a short-term or long-term phenomenon.

Excess Manpower[6]
- **Temporary**
- **Long-Term**

Retain
- Communication
- Redeploy
- Retrain *(SRP)*
- Reduce working hours
- Temporary layoff
- Alternative work arrangements
- Flexible wage system
- Other cost-cutting measures

Release

Voluntary
- Communication
- Attrition
- Early retirement scheme

Retrenchment
- Communication
- Advance notice to key partners *(eg. MOM, union)*
- Employment assistance *(eg. job matching, job fair)*
- Financial assistance *(eg. retrenchment benefits)*
- Counselling *(eg. opportunities for skills upgrading)*

[6] For tripartite guidelines on managing excess manpower, see page 17.

The following are key factors that will enable companies to manage excess manpower more effectively:

- A corporate philosophy that values and invests in people as a source of competitive advantage, and adopts strategic human resource practices to attract and retain valued employees by developing their capabilities and tapping their fullest potential;
- Good labour-management relations based on trust, mutual respect, open communications and consultation;
- Tapping on national programmes and services provided by the government, employers' organisations, and trade unions to support company's efforts to optimise their human resources. [7]

[7] For details about programmes and services, see "Optimising Talent Through Good Human Resources Practices", the National HR Handbook, published by Ministry of Manpower (2000)

Tripartite Guidelines On Managing Excess Manpower

When your company has insufficient work for the workers, several alternatives are available:

- Train and upgrade your worker's skills under the Skills Redevelopment Programme (SRP)
- Look for alternative areas of work within your organisation to deploy the surplus workers
- Implement shorter work-week or temporary lay-off
- If you have a flexible wage system in place, use it to adjust your wage cost

Skills Redevelopment Programme (SRP)

Companies contemplating retrenchment for reasons other than relocation or cessation of business can consider sending their excess employees for skills training and upgrading under the SRP, a programme initiated by NTUC. Courses under the SRP will lead to certification at the industry or national level.

Training your workers under the SRP will not only increase your company's productivity, but will also facilitate the redeployment of your surplus employees to vacancies that require higher skills and better knowledge. In addition, upgrading the skills of surplus employees during periods of low demand would result in retention of better-trained and qualified employees who would be difficult to come by during periods of high demand.

Attractive training grants and incentives are provided under the SRP. Your company can seek support for training grants up to 80% of training course fees (subject to a maximum of $8 per hour) and absentee payroll of up to 70% (subject to a maximum of $4.20 per hour).

Take the example of a company with 100 employees. It has a surplus workforce of 20% due to a drop in demand for their products projected for the next 12 months. Instead of laying off the affected 20 employees, the company can release these employees for training on a weekly or monthly basis, depending on the duration of the course chosen. A 4 module NTC-3 course takes about 6 months to complete on a full-time basis. So over a period of 12 months, 2 batches or 40 employees can be trained or retrained.

SRP Training Courses

Courses offered by ITE such as the Modular Skills Training (MOST) programme qualify for funding. However, SRP will not restrict trainees to existing ITE courses. To meet the industries' needs, the SRP will also initiate development of new courses specific to the industries and certified by the relevant training establishments. Companies are welcome to make proposals for new industry level courses.

Examples of courses are as follows:

	Courses	Institution
i	NTC-2 in Process Operation & Control	ITE
ii	NTC-2 in Wafer Fabrication	ITE
iii	NTC-3 in Electronics (Practical Only)	ITE/ELITC
iv	COC in Food Preparation	ITE/RAS
v	COC in Paint Manufacturing	ITE/SPMA
vi	COC in Autonomous Maintenance	ITE/ELITC
vii	Certificate in Logistics Operations	ITE
viii	Certificate in Retail Management	Nanyang Polytechnic
ix	Certificate in Operation Management	Nanyang Polytechnic
x	Certificate in Computer Engineering	Temasek Polytechnic
xi	Certificate in Programming	Temasek Polytechnic

Shorter workweek or temporary layoff

Workers and trade unions (if workers are unionised) should be consulted on the implementation of shorter workweek or temporary layoff 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.

Guidelines on Shorter Workweek

- Request your employees to take up to 50% of their earned annual leave before effecting the shorter workweek
- Reduction in workweek should not exceed 2 days in a week and not last for more than 2 months
- Pay the affected employees not less than half of their daily salary when shorter workweek is implemented

Guidelines on Temporary Layoff

- Request your employees to take up to 50% of their earned annual leave
- Duration of layoff should not exceed 1 month
- Pay the affected employees not less than half of their gross daily salary during the layoff period

Flexible Wage System

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 trade 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 may be reduced or not be given.

Annual Wage Supplement

If business conditions continue to worsen, another component to be considered for reduction is the AWS, which varies from 1 to 3 months.

Annual Wage Increment

If the need arises, the company may also consider reducing the annual increment. The extent of reduction should depend on the company's financial position.

Basic Wage

In extreme situations where companies need to further reduce their wage costs to remain viable, a wage freeze without any annual increment or even a wage cut may be considered.

Even if your company does not have a flexible wage system, you may consider adjusting the relevant wage components that are applicable to your company to avoid retrenchment, eg. a temporary wage freeze or wage cut, especially if you are expecting business to pick up in the near future. The adjustment of these measures is subject to the consent of the workers concerned.

Retrenchment

Retrenchment exercise should be carried out responsibly in consultation with the union if your company is unionised. As far as possible, affected workers should be informed of your impending retrenchment before notice of retrenchment is given. You should also notify the Labour Relations Department and the Manpower Deployment Department of the Ministry of Manpower. Early notification will enable the Ministry to help the affected workers find alternative employment expeditiously. As a responsible employer, you should also help the affected workers look for alternative jobs in associate companies or in other companies.

Notice Period

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

In addition, employer is encouraged to give advance notice of retrenchment to the union (if any) and relevant agencies (MOM, EDB, NTUC and SNEF) so that there is adequate time to arrange for the affected workers to be placed on the SRP or for the Manpower Deployment Department to assist them to secure alternative employment.

Quantum of Retrenchment Benefits

Employees with 3 years' service or more in the company and who are covered by the Employment Act are eligible to claim retrenchment benefit payment. Those with less than 3 years' service may be granted an ex-gratia payment. The quantum of retrenchment benefit depends on what is provided in the collective agreement or contract of service. If there is no provision, the quantum is to be negotiated between the employees (with their union in the case of a unionised company) and the employer concerned.

The prevailing norm is to pay a retrenchment benefit varying between 2 weeks' to 1 months' salary per year of service. 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.

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FEEDBACK FORM

Case: Managing Excess Manpower

Please take some time to fill in this feedback form & fax it back to us. As a thank you gesture, we will send you a complimentary copy of our next case study when we have received your feedback. We will also keep you informed of our future activities.

1. How useful is this case study in providing you with some suggested approaches to deal with the HR issues/ problems faced by your company?
   - [ ] Very useful - [ ] Useful - [ ] Moderately Useful - [ ] Not useful

2. How do you rate the presentation and user-friendliness of this case study?
   - [ ] Very good - [ ] Good - [ ] Neutral - [ ] Poor

3. Would you consider implementing at least one of the strategies/approaches highlighted in the case study?
   - [ ] Yes - [ ] No

4. For future case studies, what other topics would you suggest?
   - [ ] Workplace Health/Environment
   - [ ] Employee Stock Option Scheme
   - [ ] HR Outsourcing
   - [ ] Flexible Benefits
   - [ ] Others ______________________________

Other comments:

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My Particulars:

Name: (Mr/ Mrs/ Mdm/ Ms/ Dr) ______________________ Designation: ________________

Organisation: ______________________________ Tel No: ________________

Address: ____

____

Email: ____

Managing Excess Manpower

A case study commissioned by the Ministry of Manpower, Singapore

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Ms Wong undertook this project while on study leave from the National Trades Union Congress (NTUC). She was the Director of the Singapore Institute of Labour Studies (SILS) from 1990 to 1999, and is currently the Deputy Director, International Affairs, NTUC.

Acknowledgement:
Our special thanks to Micron Semiconductor Asia Pte Ltd, Philips Electronics Singapore Pte Ltd, Keppel Hitachi Zosen Limited and Development Bank of Singapore for their inputs.

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18 Havelock Road #04-02
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Printed in Singapore, Apr 2001

ISBN 981-04-3786-2

Information correct at the time of print