

Tripartite Guidelines on Managing Excess Manpower (Revised as at 17 May 2009)

Introduction

1. The Singapore economy is experiencing a sharp contraction due to the impact of the global economic downturn. The Ministry of Trade and Industry is projecting Singapore's GDP to contract by 6% to 9% in 2009. The downturn is expected to be prolonged. Companies are likely to face excess manpower and should work closely with workers and unions to manage the challenges and ride out this storm.

2. The tripartite partners – Ministry of Manpower (MOM), National Trades Union Congress (NTUC) and Singapore National Employers Federation (SNEF) strongly encourage companies to implement alternative ways to manage their excess manpower, and consider retrenchment only as a last resort. Instead of laying off workers, employers could consider cost-cutting measures including reducing non-wage expenses, sending workers for training under the Skills Programme for Upgrading and Resilience (SPUR), re-deploying workers to alternative areas of work or implementing a shorter work week, temporary layoff or flexible work schedule. Companies could also use the flexible wage system to adjust wage cost. These cost-saving measures are outlined in the Tripartite Guidelines on Managing Excess Manpower ("Guidelines") released on 19 November 2008.

3. To further help businesses and workers cope with this period of exceptional economic difficulties, the Government had unveiled the Resilience Package in Budget 2009 to help businesses stay competitive and save jobs for workers. Through the new Jobs Credit Scheme, the government will help employers with their wage bills by giving a 12% cash grant on the first \$2,500 of each employee's monthly wage.

4. Taking into account the global and Singapore economic outlook which are expected to remain weak and the feedback received from industries and companies, the tripartite partners have reviewed and revised the Guidelines. The revised Guidelines incorporate the recently announced measures including the Jobs Credit, SPUR, and the Professional Skills Programme (PSP). Details of the revised Guidelines are given below.

Guidelines on Managing Excess Manpower

5. 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 Jobs Credit Scheme to reduce wage cost.
- Make use of SPUR to send your workers for training
- Redeploy workers to alternative areas of work within your organisation.
- Implement shorter work week, temporary layoff, flexible work schedule or other flexible work arrangements.
- If you have a flexible wage system in place, use it to adjust your wage cost.

6. When implementing any of the measures listed above, management should lead by example and adopt the principle of equal sacrifice. You should consider how the cost cutting measures could be appropriately borne by employees, taking into consideration the financial hardship faced by the lower income employees.

a) Jobs Credit Scheme

7. The Jobs Credit Scheme was introduced in Budget 2009 to encourage businesses to preserve jobs in the downturn. Under this scheme, companies will receive a cash grant for local employees who are on the Central Provident Fund (CPF) payroll. This scheme provides a significant incentive for you to retain your local workers, and where your business warrants, to employ new ones.

8. With the exception of local and foreign government organisations, if your businesses have made CPF contributions for your employees (Singapore and Permanent Residents), you will be eligible for the Jobs Credit.

9. The Jobs Credit will be paid automatically to eligible employers in 2009 in four payments: March, June, September and December 2009. The Jobs Credit will be computed based on the employer's CPF contribution data, which will be provided by CPF Board to the Inland Revenue Authority of Singapore (IRAS).

10. The Jobs Credit is calculated based on 12% of up to \$2,500 of the derived wage cost for each eligible employee. This means the employer will receive up to \$900 per employee for each quarterly payment (12% x \$2,500 x 3 months). More information is available on IRAS's website (<http://www.iras.gov.sg>).

b) Skills Programme for Upgrading and Resilience (SPUR)

11. Companies planning to cut their workforce should consider sending their local employees for skills training and upgrading under SPUR which is administered by the tripartite partners. SPUR helps both companies and workers manage the downturn and invest in skills for the upturn. SPUR provides support

in the form of up to 90% course fee subsidy and absentee payroll capped at \$10/hour.

12. There are over 1,000 SPUR-approved courses available at more than 100 approved training providers, including Continuing Education and Training Centres, the polytechnics and Institute of Technical Education (ITE). The courses¹ cover a wide range of industries and sectors, with courses for both rank-and-file workers and Professionals, Managers, Executives and Technicians (PMETs).

13. The benefits of training your workers are:

- Higher company productivity
- Better management of 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.

14. The SPUR programme provides attractive funding 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>).

c) Redeploy workers to alternative areas of work within your organisation

15. Employees can be re-deployed or rotated when the job scope is enlarged, enriched or restructured. When there is no other available jobs for them within the organisation, companies can consider outplacing the affected employees to suitable jobs in other companies, taking into consideration their physical and mental conditions, skills and experience.

d) Shorter work week, temporary layoff or other work arrangements

16. 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

¹ The courses cover sector-specific for different industries as well as cross-sectoral skills such as employability skills, service excellence, workplace safety and health.

- Request your 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 and not last for more than 3 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 employees are not working, during the period when the shorter work week is implemented.
- Leverage on SPUR to send workers for skills upgrading on the day(s) when the employees are not working, and claim absentee payroll. This will benefit both employers and employees.

Temporary Layoff

- Request your employees to take up to 50% of their earned annual leave.
- Implement the layoff period such that it does 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.

Part-Time Work, Sharing of Jobs and Flexible Work Schedule

17. You may also consider implementing other work arrangements such as part-time work, sharing of jobs and flexible work schedule, in consultation with the union and workers concerned. Companies may implement them in any particular order depending on the operational needs and the severity of the downturn.

18. The Employment Act (EA) allows companies to implement the Flexible Work Schedule (FWS) to optimise the use of manpower resources. Companies could make applications to the Commissioner for Labour to be exempted from the EA provisions on overtime payment, pay for work on rest days and public holidays, provided that certain conditions including the safety and health of workers, are met. Applications should be made with the support of workers and unions (for unionised companies). Details on the qualifying conditions can be found in the Tripartite Guidelines for Flexible Work Schedules².

19. 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.

² The Tripartite Guidelines for Flexible Work Schedules was launched by the tripartite partners in Nov 2004. Details of the guidelines is available at www.mom.gov.sg/mem

e) Flexible Wage System

20. 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 in consultation with 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 not implemented the MVC but needs to adjust wages downwards, the company could consider treating any cut in basic salary of up to 10% (for management staff, it could be more than 10%) immediately as MVC cut. The company should commit to save jobs including sending workers for SPUR training, and set clear guidelines to restore the MVC cut through future wage increases or adjustments when their businesses recover. In the case of managers / executives, 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. The company should consult their workers and explain the reasons for the MVC cut. If the company is unionised, it should seek the agreement of the union.

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 salary to be paid at the end of the year.

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

(f) Other cost cutting measures

22. The tripartite partners recognise that some companies may have to implement more severe cost cutting measures, in addition to measures such as shorter work week and temporary layoff. These companies may have to consider implementing no pay leave, in order to survive and to save jobs as the downturn prolongs.

23. In implementing no pay leave,

- Companies should have considered / implemented other measures, and after consulting workers and unions (if the company is unionised);
- Companies should recognise its impact on rank-and-file workers in determining the extent and duration of the measure;
- Senior management to lead by example, by accepting earlier and/or deeper cuts in cost cutting measures;
- If business conditions warrant it, companies could apply no pay leave in conjunction with other cost cutting measures.

24. During the no pay leave period, management should also arrange to send the affected workers on SPUR training. This will help upgrade workers' skills and employability for the benefit of both the workers and the company in the long run.

When Retrenchment Is Inevitable

25. The tripartite partners recognise that having implemented the various cost-cutting measures, companies may still need to restructure their operations and carry out retrenchment exercises to keep their businesses viable. If retrenchment needs to be carried out, 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 your company manage any labour issues arising from a retrenchment exercise, and also 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> and submit it via:
Email: mom_lrd@mom.gov.sg
Hotline: 9127 2725
Fax: 6535 4811
Post: Labour Relations & Workplaces Division
Ministry of Manpower
18 Havelock Road
Singapore 059764

26. If retrenchment has to be carried out, the exercise should be implemented responsibly. If your company is unionised, 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.

27. 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

28. 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

29. 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.

30. 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. If the retrenchment exercise follows shortly after a wage cut, the salary prior to the wage cut should be used to compute the retrenchment benefit, so that cuts are not implemented just to reduce retrenchment payments.

Conclusion

31. 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. Companies, both unionised and non-unionised, can exercise flexibility when adopting the Guidelines. When there is a need to implement any of the above measures, the principle and spirit of equal sacrifice, 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.

32. 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.

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For more information or clarification on the updated guidelines, please contact:

Ministry of Manpower

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Other employment related enquiries: (65) 6438 5122

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Singapore National Employers Federation

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