

Employment Termination during the COVID-19 Crisis – Singapore

Insights

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As the lockdown measures adopted by governments around the world begin to take a toll on companies' revenues, some employers are exploring their options to terminate employees. Singapore is one of the most employer-friendly jurisdictions in Asia, but employers should still be mindful of various issues when terminating employees there.

On what grounds can a company terminate employees in Singapore?

A company may dismiss its employees on the grounds of misconduct, poor performance, or redundancy. Many companies are trying to rely on the redundancy ground to terminate employees during the current economic downturn, but such an approach must be executed “in a responsible and sensitive manner.” Dismissal on the ground of redundancy is referred to as a *retrenchment* in Singapore.

The tripartite advisory issued jointly by the Ministry of Manpower (MOM), the National Trades Union Congress, and the Singapore National Employers Federation strongly urges employers to consider the following measures before resorting to a retrenchment:

- Send employees for training to upgrade their skills and employability
- Redeploy employees to alternative areas of work within the company
- Implement flexible work schedules, flexible work arrangements, shorter work-weeks, or temporary layoffs
- Adjust wages in line with the tripartite norms
- Implement no-pay leaves

If a company has explored all these alternatives but has to go through the retrenchment in the end, how is severance pay calculated?

Employers are encouraged to inform the affected employees of their retrenchment as soon as possible to help them prepare for it. In addition to the minimum notice period guaranteed by the Employment Act and the employment contract, employees with two years' service or more are eligible for retrenchment benefits. The prevailing norm is to pay two weeks' to one month of salary for each year of service. Those with less than two years of service could be granted an ex-gratia payment.

Those with a collective bargaining agreement should follow its terms, which usually require one month's salary per year of service.

Is there a reporting requirement for employment termination?

Yes, employers with businesses registered in Singapore who employ at least 10 employees are required to notify the MOM if five or more employees are retrenched within any six-month period. This applies to permanent employees and contract workers with full contract terms of at least six months. The notification must be submitted within five working days after the fifth employee is notified of his/her retrenchment. Thereafter, the notification must be submitted within five working days after each employee is notified of his/her retrenchment.

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