Retrenchment Benefits 2017



Manpower Research and Statistics Department
Singapore

September 2018

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RETRENCHMENT BENEFITS 2017

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HIGHLIGHTS

- The proportion of establishments which paid retrenchment benefits to eligible local employees remained high in 2017. The majority of establishments continued to pay retrenchment benefits based on employee's service period with the establishment and this proportion has also increased, with better economic conditions. This meant most retrenched locals were paid retrenchment benefits based on tenure, with the common pay-out rate being one month of salary per year of service.

- 90% of retrenching establishments paid retrenchment benefits in 2017, higher than in 2016 (88%) and broadly similar to 2015 (91%). This meant that 94% of eligible local employees received retrenchment benefits in 2017. Among the minority of establishments which did not pay retrenchment benefits, the common reasons were *the workers' employment agreements*[1] *did not have provision for payment of retrenchment benefits* and *financial constraints*.

- Large establishments with at least 200 employees (95%), and unionised establishments (99%) were more likely to provide retrenchment benefits.

- Over the year, the provision of retrenchment benefits rose for small establishments with 10 to 24 employees (82% in 2017 compared to 78% in 2016) and those with 25 to 199 employees (91% compared to 89%). However, the proportion among small establishments remained lower than 2015 (88%), when data was first collected. For large establishments, the provision of retrenchment benefits continued to decline slightly in 2017, due to non-unionised establishments from construction.

- 76% of retrenching establishments paid retrenchment benefits according to their employees' years of service with the establishment in 2017, higher than 2016 (65%) and similar to 2015 (75%). This meant 85% of retrenched locals in 2017 were given retrenchment benefits based on their tenure. The common rate of pay-out was one month of salary per year of service. On the other hand, the proportion of establishments which gave lump sum pay-outs declined in 2017 (19%), from 2016 (29%). In 2017, lump sum pay-outs were applicable to just 10% of retrenched locals. The lump sum pay-out was typically equivalent to two months' salary.

[1] Refers to individual employment contracts or the collective agreements negotiated by their unions.

Retrenchment Benefits 2017

1 Overview

1.1 The proportion of establishments which paid retrenchment benefits to eligible local employees remained high in 2017.[2] The majority of establishments continued to pay retrenchment benefits based on the employee's service period with the establishment and this proportion has also increased, with better economic conditions. This meant most retrenched locals were paid retrenchment benefits based on tenure, with the common pay-out rate being one month of salary per year of service.

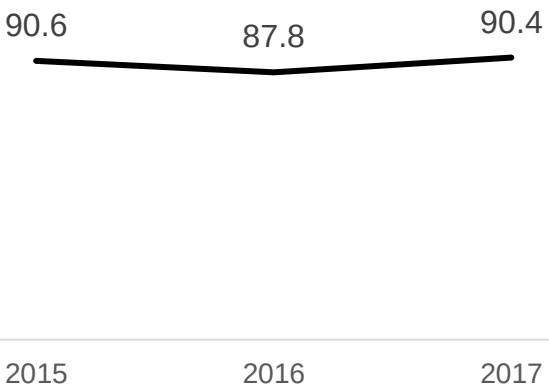
1.2 These findings are based on data from the Retrenchment Benefits Survey, which covered all retrenching private sector establishments each with at least 25 employees in 2017, and a representative sample of those with 10 to 24 employees. In all, the survey effectively covered 1,550 establishments which retrenched 9,570 local employees, and yielded a response rate of 90%. Further details on the survey coverage and methodology are in Appendix I.

2 Provision of Retrenchment Benefits

The proportion of establishments which paid retrenchment benefits remained high

2.1 90% of retrenching establishments paid retrenchment benefits in 2017, higher than in 2016 (88%) and broadly similar to 2015 (91%) (Chart 1). This meant that 94% of eligible local employees received retrenchment benefits in 2017. Among the minority of establishments which did not pay retrenchment benefits, the common reasons were *the workers' employment agreements*[3] *did not have provision for payment of retrenchment benefits* and *financial constraints*.

Chart 1: Proportion (%) of establishments which paid retrenchment benefits



Source: Retrenchment Benefits Survey, Manpower Research & Statistics Department, MOM

[2] Under the Employment Act, a retrenched employee with at least two years of service with an employer is eligible for retrenchment benefits. The eligibility service period for retrenchment benefits was shortened from three years to two years from 1 April 2015.

[3] Refers to individual employment contracts or the collective agreements negotiated by their unions.

Large, unionised, as well as non-construction establishments, were more likely to pay retrenchment benefits

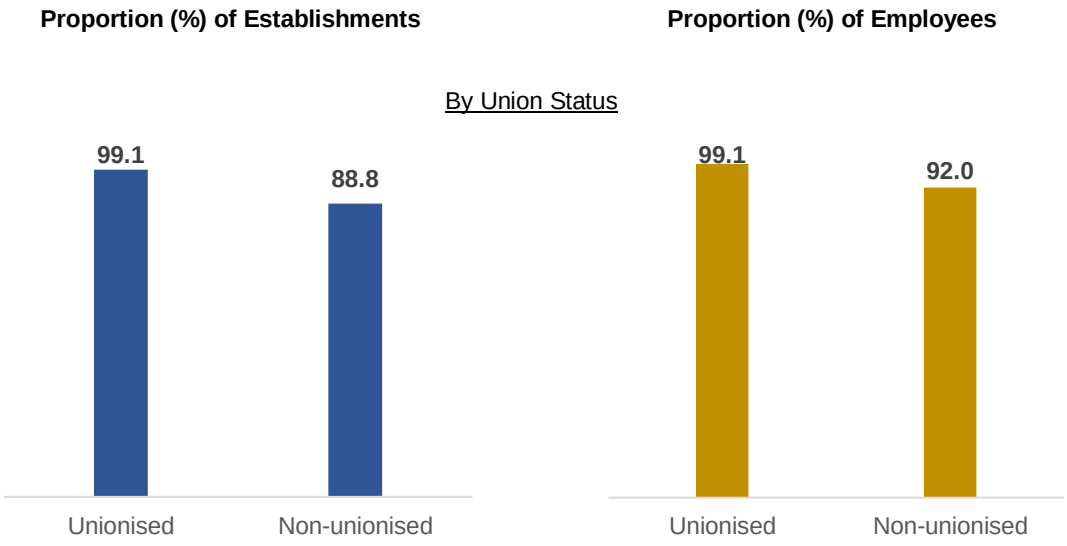
2.2 The proportion of establishments which paid retrenchment benefits was higher among unionised establishments (99%), compared to non-unionised (89%) (Chart 2). Large establishments with at least 200 employees (95%) were more likely to pay retrenchment benefits. Payment of retrenchment benefits was less likely among small establishments with 10 to 24 employees (82%); they were mostly non-unionised.

2.3 Over the year, the provision rate rose for small and medium-sized (with 25 to 199 employees) establishments (Annex – Table 1). However, for small establishments, the proportion remained lower than 2015 (88%), when data was first collected. For large establishments, the provision of retrenchment benefits continued to decline slightly in 2017, due to non-unionised establishments from construction.[4]

2.4 In part reflecting the relatively slower growth in the sector, retrenching establishments from the construction sector were least likely to pay retrenchment benefits (74%), compared to manufacturing (91%) and services (92%). Within services, the provision rates ranged from 95% and over in industries with relatively higher incidence of retrenchments e.g. financial services (99%) and wholesale & retail trade (95%), to below-average rates in industries where retrenchments are less common e.g. accommodation & food services (55%) and transportation & storage (85%).

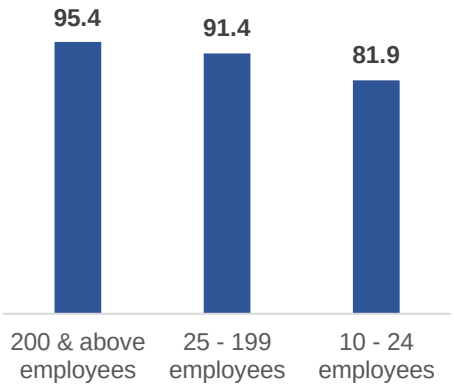
2.5 From an employee perspective, the proportion of retrenched locals receiving retrenchment benefits was higher among large, unionised, as well as non-construction establishments (Chart 2).

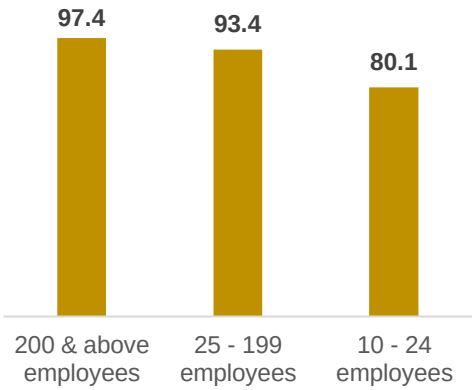
Chart 2: Retrenchment Benefits, 2017



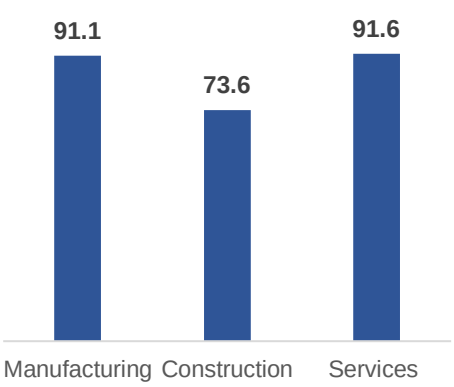
[4] If construction establishments were excluded, the provision rate among non-unionised large establishments would be broadly similar over the last two years (2015: 97%; 2016: 95%; 2017: 96%).

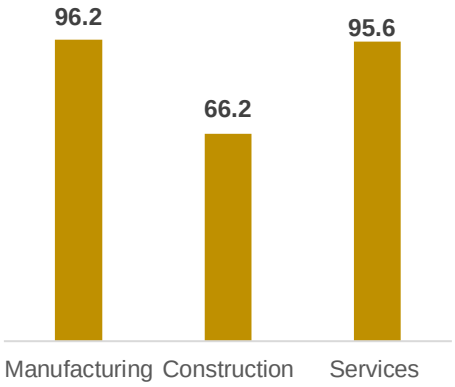
By Establishment Size





By Industry





Source: Retrenchment Benefits Survey, Manpower Research & Statistics Department, MOM

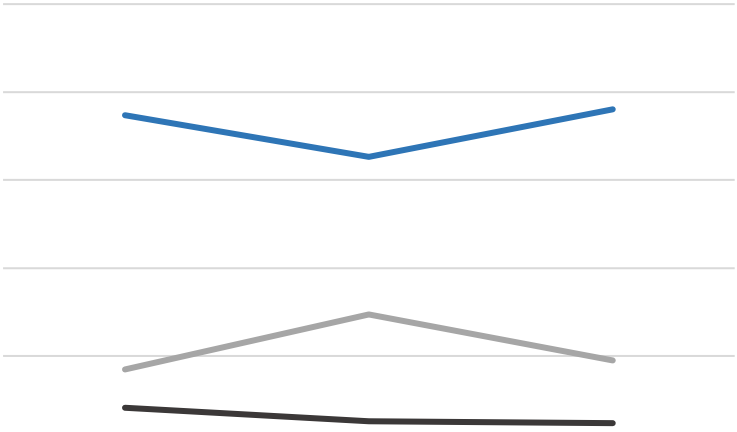
3 Retrenchment Benefit Pay-Out

Majority paid retrenchment benefits based on employee's years of service - commonly one month of salary per year of service

3.1 Among establishments which paid retrenchment benefits in 2017, 76% gave retrenchment benefits according to their employees' years of service (i.e. tenure) with the establishment (Chart 3). This was higher than the proportion in 2016 (65%) and similar to that in 2015 (75%). The common rate of pay-out was one month of salary per year of service (Chart 4).

3.2 On the other hand, the proportion which gave lump sum pay-outs declined in 2017 (19%), from 2016 (29%). The lump sum pay-out was typically equivalent to two months' salary. Establishments commonly cited *ease of making payments* and *financial considerations* as reasons for giving retrenchment benefits in lump sum (Chart 5).

Chart 3: Proportion (%) of establishments which paid retrenchment benefits by type of pay-out

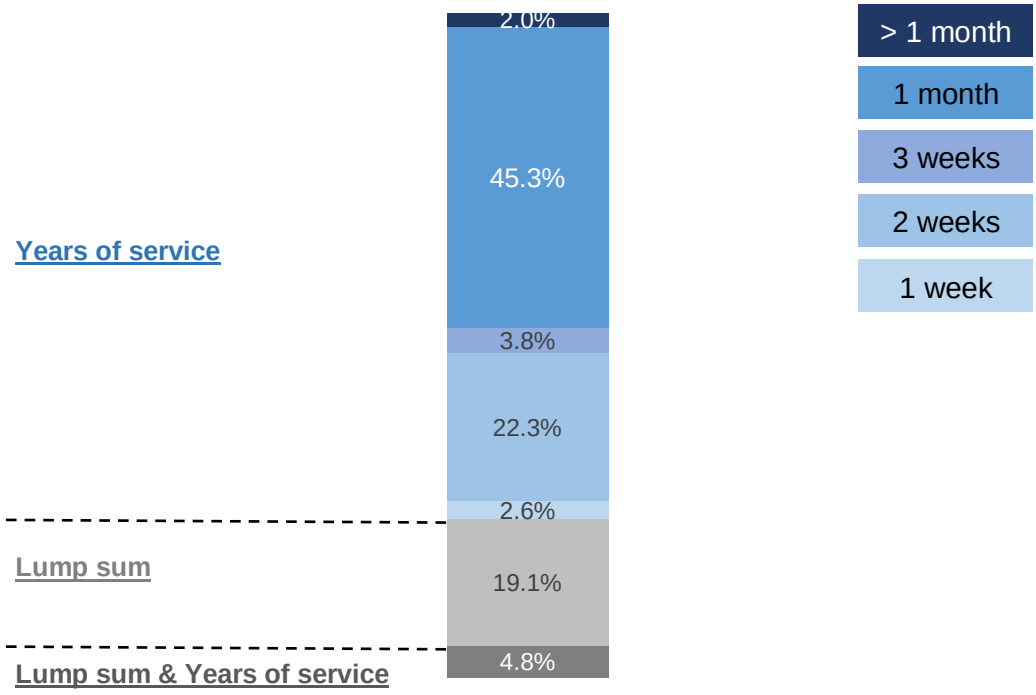


	2015	2016	2017
Years of service	74.7	65.3	76.1
Lump sum	17.0	29.5	19.1
Lump sum & years of service *	8.3	5.2	4.8

Source: Retrenchment Benefits Survey, Manpower Research & Statistics Department, MOM

Note: * Refers to establishments which paid retrenchment benefits in a combination of lump sum and salary per year of service.

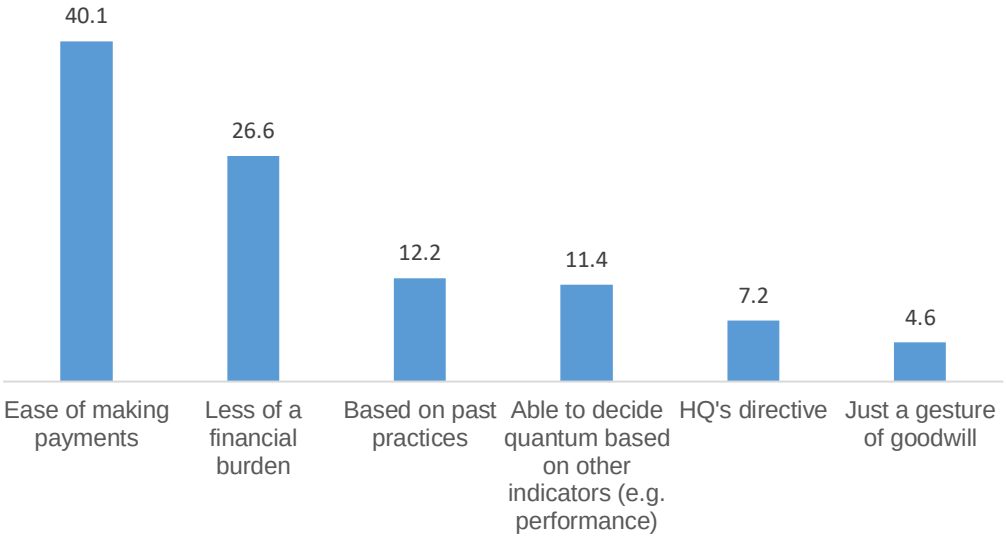
Chart 4: Proportion (%) of establishments which paid retrenchment benefits by quantum of pay-out, 2017



Source: Retrenchment Benefits Survey, Manpower Research & Statistics Department, MOM

Note: Data may not sum up to 100% due to rounding.

Chart 5: Proportion (%) of establishments which paid lump sum by reasons for doing so, 2017



Source: Retrenchment Benefits Survey, Manpower Research & Statistics Department, MOM

Notes:

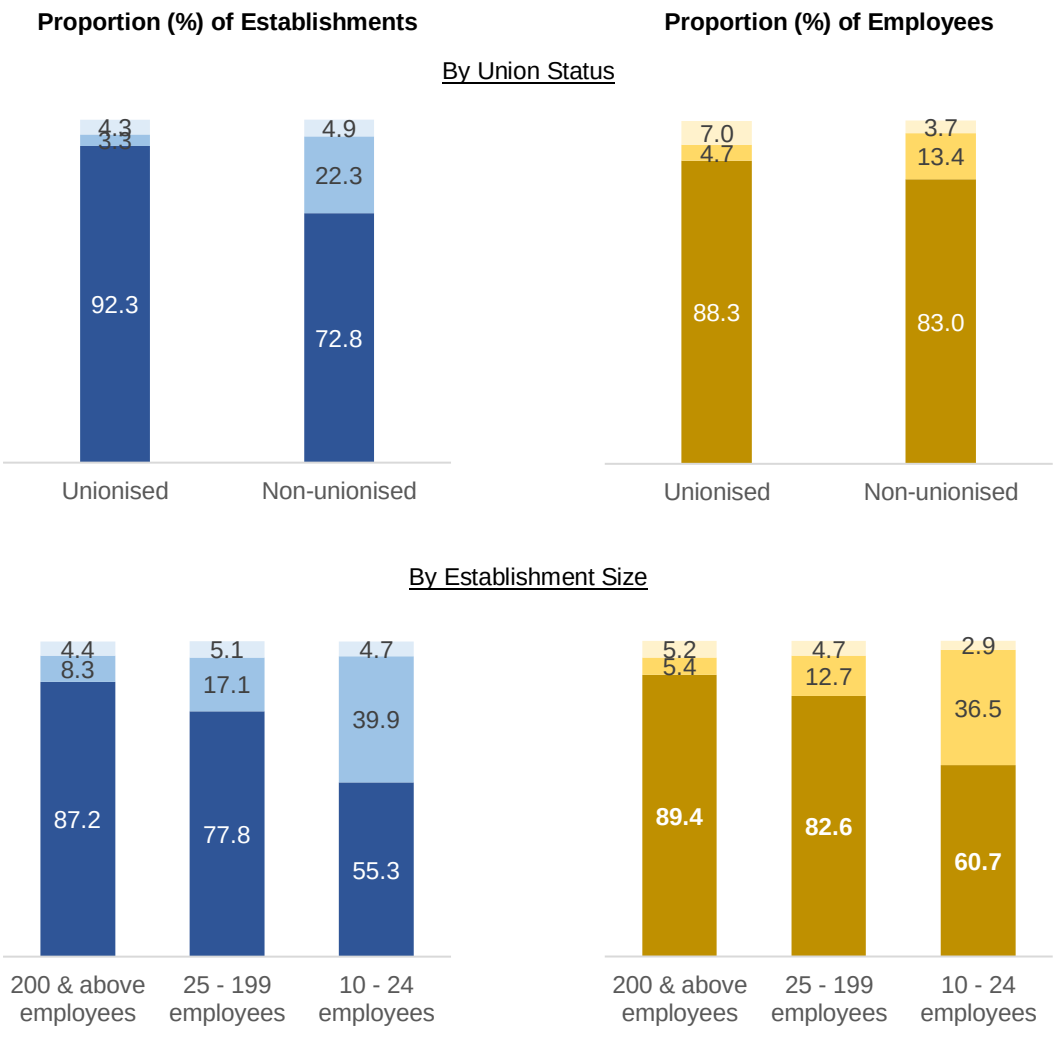
1. Establishments can indicate more than one reason.
2. Other less commonly cited reasons which are not shown, include decision of quantum based on other indicators (e.g. estimated duration of the job search) other than employee's job tenure.

Establishments which are larger, unionised or in the non-construction sector were more likely to give tenure-rated retrenchment pay-out

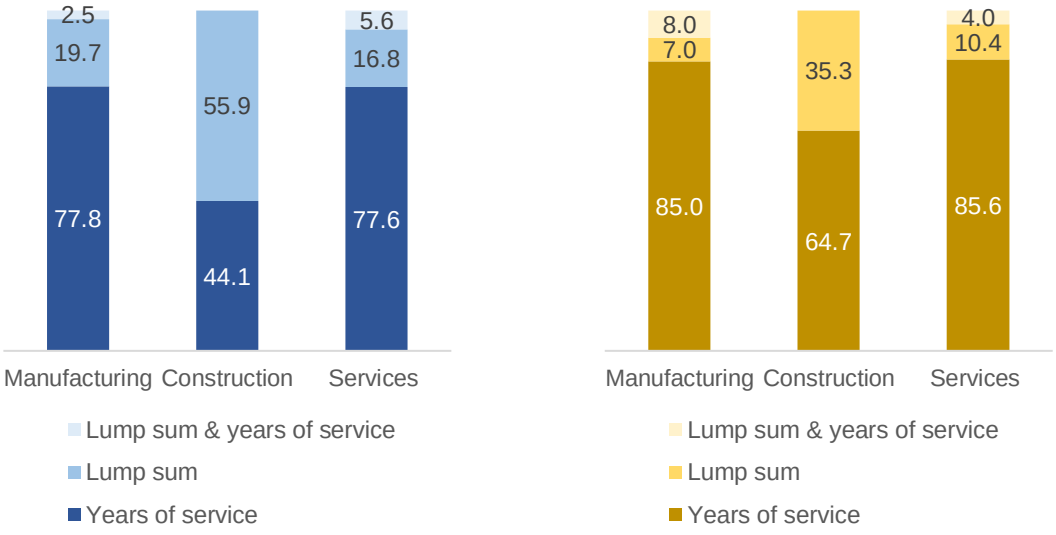
3.3 Provision of retrenchment benefits by tenure was more common among unionised establishments (92%) than non-unionised establishments (73%) (Chart 6). 87% of establishments with at least 200 employees paid retrenchment benefits by years of service in 2017, higher than small (55%) and medium-sized establishments (78%). By industry, there were proportionately more establishments in both the manufacturing and services sectors (both 78%) paying retrenchment benefits based on tenure than construction (44%).

3.4 Similarly, a lower proportion of retrenched locals from establishments with 10 to 24 employees, non-unionised, construction sector received retrenchment benefits based on tenure. As a whole, the large majority or 85% of retrenched locals were paid retrenchment benefits based on tenure. Those who received lump sum pay-outs (10%) formed a small share of retrenched locals.

Chart 6: Type of Retrenchment Pay-out, 2017



By Industry



Source: Retrenchment Benefits Survey, Manpower Research & Statistics Department, MOM

Note: Data may not sum up to 100% due to rounding

.

Annex

Table 1: Proportion (%) of establishments which paid retrenchment benefits to eligible retrenched locals by characteristics, 2016 and 2017

	2016	2017
Total	**87.8**	**90.4**
By Establishment Size		
10 – 24 employees	77.7	81.9
25 – 199 employees	89.4	91.4
200 & above employees	95.8	95.4
By Union Status		
Unionised	98.1	99.1
Non-Unionised	86.3	88.8
By Industry		
Manufacturing	89.5	91.1
Construction	54.8	73.6
Services	89.2	91.6

Appendix I

Survey Coverage and Methodology

Introduction

The Retrenchment Benefits Survey, 2017 was conducted by the Manpower Research and Statistics Department of the Ministry of Manpower from 23 January to 29 March 2018. The survey was conducted under the Statistics Act (Chapter 317).

Objective

The survey was conducted to collect information on the extent and quantum of retrenchment benefits paid to local employees who were retrenched in 2017.

Coverage

The survey covered establishments in the private sector with at least 10 employees. All establishments with at least 25 employees were included. A systematic random sample was drawn from establishments with 10 to 24 employees, stratified by industry. The survey yielded a response rate of 89.7%.

The results were weighted to reflect the population of private sector establishments with at least 10 employees by using expansion factors based on sampling fraction.

Methodology

The survey was conducted using mail questionnaires. Respondents could submit their returns online, by post, email or fax, with clarifications made over the phone.

Reference Period

The reference period for the survey was from 1 January to 31 December 2017.

Data Collected

Establishments were asked to provide the following information:

- Whether each of the local retrenched employees received retrenchment benefits, mode of retrenchment benefits payment and quantum received in terms of months;
- Reasons for providing retrenchment benefits in lump sum pay-outs

Classification

The industries of the surveyed establishments were classified according to the Singapore Standard Industrial Classification (SSIC) 2015.

Reliability of Data

In a sample survey, inferences about the target population are drawn from the data collected from the sample. Errors due to extension of the conclusions based on one sample to the entire population are known as sampling errors. The sampling error of an estimate is the difference between the estimated value obtained from a sample and the actual value from the population. Factors influencing the sampling error include the sample size, the sample design, method of estimation, the variability of the population and the characteristics studied.

The most common measure of the sampling error of an estimate is its standard error, which is a measure of the variation among the estimates derived from all possible samples. An alternative measure is the relative standard error of an estimate which indicates the standard error relative to the magnitude of the estimate. A sample estimate and an estimate of its standard error can be used to construct an interval that will, at specified levels of confidence, include the actual value. About 68, 95 and 99 per cent of estimates from all possible samples will fall within the interval defined by one, two or three standard errors respectively on either side of the estimate. By statistical convention, the confidence level has been set at 95 per cent.

Estimates of the sampling variability of selected indicators are as follows:

		Estimate (%)	Standard Error (%-points)	Relative Standard Error (%)	95% Confidence Interval (%)	
					Lower	Upper
Proportion of Establishments Which Paid Retrenchment Benefits to *Eligible* Retrenched Local Workers						
Overall		90.4	0.7	0.8	89.0	91.7
By Establishment Size	10-24 Employees	81.9	2.7	3.3	76.5	87.4
By Union Status	Unionised	99.1	0.0	0.0	99.1	99.1
	Non-unionised	88.8	0.8	0.9	87.2	90.4

Notes:

1. Data pertain to private sector establishments with at least 10 employees, which retrenched *eligible* local workers.
2. The survey covered a sample of private sector establishments with 10 to 24 employees and all retrenching private sector establishments with at least 25 employees.

Concepts and Definitions

Retrenchment benefits : This refers to payments to retrenched employees to compensate them for the loss of employment. It excludes salary-in-lieu of retrenchment notice, bonus and salary that are owed to the employees at the point of retrenchment. Salary-in-lieu is additional salary paid for not giving employees advance retrenchment notice.

Retrenchment : This refers to termination of permanent employees due to redundancy and early termination of term contract employees due to redundancy.

Union status : An establishment is considered unionised if at least some of its employees are represented by an employee union with rights to negotiate with the management on employment conditions and other employee-related issues.

FEEDBACK FORM

TITLE OF REPORT: RETRENCHMENT BENEFITS 2017

1. How would you rate this report in terms of:

	Excellent	Good	Average	Poor
a) Relevance to your work	☐	☐	☐	☐
b) Providing useful insights on prevailing labour market trends/development	☐	☐	☐	☐
c) Ease of understanding	☐	☐	☐	☐

2. Which area(s) of the report do you find most useful? Please provide reasons.

_____

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3. How do you find the length of the report?

☐ Too detailed ☐ Just right ☐ Too brief

	Excellent	Good	Average	Poor
4. Overall, how would you rate this report?	☐	☐	☐	☐

5. What additional information (if any) would you like us to include in our future issues?

_____

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6. Any other comments or suggestions you wish to bring to our attention?

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