



Redundancy, Retrenchment & Separations – How To Manage It

Presented By

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“Our Employees Our Greatest Assets”

- ✦ This statement had been abused by management for ages
- ✦ Many of the employers who use it does not believe it and is merely paying lip service
- ✦ How the Company manage its employees during an economic crisis will be testimony as to whether they are just paying lip service or otherwise



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Women First To Be Retrenched

Employers are still discriminating against women when it comes to retrenchment

Deputy Women, Family and Community Development Minister, Noriah Sasnon said the Government was concerned with the statistics as half of the workers retrenched recently in the current economic crisis were women, despite them making up only 35% of the country's total workforce.

"Female employees may be contributing towards their company's productivity. But when an economic slowdown occurs, they are still the first to go, with excuses that many of them tend to focus on their family or are pregnant regularly" she said



Retrenchment Guidelines By Jabatan Tenaga Kerja

- ✦ 3.1 To stop recruitment of new workers except for critical areas.
 - ✦ 3.2 To limit overtime work.
 - ✦ 3.3 To limit work on weekly rest days and public holidays.
 - ✦ 3.4 To reduce weekly working days or reduce the number of shifts.
 - ✦ 3.5 To reduce daily working hours.
 - ✦ 3.6 To conduct retraining programmes for workers.
 - ✦ 3.7 To identify alternative jobs and to transfer workers to other divisions/other jobs in the same company.
 - ✦ 3.8 To implement temporary lay-off i.e. temporary shut down by offering fair salary and to assist the employees affected in obtaining temporary employment elsewhere until normal operation resumes.
 - ✦ 3.9 To introduce pay-cut in a fair manner at all levels and to be implemented as a last resort after other cost cutting measures have been carried out.
- ✦ Steps 3.7, 3.8 and 3.9 to be implemented after getting written agreement of employees or the union



*Retrenchment Guidelines By Jabatan Tenaga Kerja
If Retrenchment Becomes Necessary*

- ✦ Discuss with the workers or the trade unions which represent them and give early warnings of any impending retrenchment.
- ✦ Introduce voluntary separation schemes with fair compensation.
- ✦ Terminate workers who have exceeded their normal retirement age.
- ✦ To assist workers in seeking alternative employment elsewhere before retrenchment with the cooperation of Jabatan Tenaga Kerja



*Retrenchment Guidelines By Jabatan Tenaga Kerja
If Retrenchment Becomes Necessary*

- ✦ To implement retrenchment in stages.
- ✦ To retrench foreign workers first before terminating the local workers in the same category.
- ✦ When the retrenchment involves local workers, the 'LIFO' principle (last-in-first-out) must be practiced for the same category of work.
- ✦ However, employers may carry out retrenchments in accordance with certain criteria after consultation and the approval of the workers and trade unions representing them.



Do We Really Need To Downsize During the Economic Downturn?

- ✦ Offer employees flexible work arrangements which are less costly to do business -
 - ✦ Have employees shorter work weeks at reduced pay. Cutting the work week from 5 days to 4 days will shrink payroll expenses by 15% (not counting benefits).
 - ✦ Encourage employees to take unpaid leave
 - ✦ Offer temporary lay off with reasonable wages
 - ✦ Offer Flexible working hours
 - ✦ Offer part time work
 - ✦ Swap or loan out employees to other businesses that may need temporary project or seasonal help.
- ✦ If unionized, discuss with the union options to manage the situation



Things To Consider When Downsizing

- ✦ Do you really need to cut headcount?
 - ✦ Think of what happens if the economy improves, would you be able to do without them
- ✦ What is the cost of rehiring
 - ✦ The economic crisis is unlikely to last forever, consider cost of hiring and training new staff
- ✦ Is retrenchment the only option?
 - ✦ Is it not possible to cut cost in other forms such as limiting overtime, reduce working days etc
- ✦ Is it good for the image of your company?
 - ✦ You may have to rehire sometime in the future, what would potential candidates think of your company?



Things To Consider When Downsizing

- ✦ Does the law allow you to retrench employees you do not want?
 - ❖ Consider complying with the legal requirements before laying off employees
- ✦ Impact of the retrenchment
 - ❖ How would your remaining employees, customers and your investors view the retrenchment exercise?
 - ❖ Would you be able to maintain the morale and productivity of your employees?
- ✦ When retrenching, ideally non performers to go
 - ❖ Does the law allow us to retrench poor performers
 - ❖ If the retrenchment results in high achievers leaving, it would be worse off for your company



Things To Consider When Downsizing

- ✦ If retrenchment is necessary, assist the retrenched employee cope with trauma
 - ❖ Assist employee look for alternative job
 - ❖ Train them in interview skills, putting up proper resumes, forward their resumes to employment agencies etc
- ✦ Give as much retrenchment notice as possible
 - ❖ This will allow employees to look for new job and plan to handle difficult times
- ✦ Pay fair retrenchment benefits
 - ❖ Consider paying fair retrenchment benefits so that employees can survive until he gets a new job



Types of Separation Schemes

- ✦ Retrenchment based on LIFO
- ✦ Voluntary Separation Schemes
- ✦ Mutual Separation Schemes

THANK YOU