

Client Alert

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Revised Tripartite Guidelines on the Re-employment of Older Employees

The Ministry of Manpower ("**MOM**") has announced that there have been revisions to the Tripartite Guidelines on the Re-employment of Older Employees (the "**Guidelines**"). The two main changes are to the:

- Employment Assistance Payment ("**EAP**") amounts, and
- Medical benefits provided to the employee being re-employed.

Overview

As part of the Singapore Government's efforts to enhance employment support for older workers, the re-employment age will increase from 65 years old to 67 years old from 1 July 2017, mentioned in our April 2016 Client Alert. This means that eligible employees must be considered for re-employment for a total of 5 years after the retirement age of 62, as opposed to the current 3 years. In line with this change to the Retirement and Re-employment Act (the "**Act**"), the revisions mentioned above have been made to the Guidelines.

To be eligible for re-employment under the Act, an employee must:

- Be a Singapore citizen or Singapore permanent resident;
- Have served the employer for at least 3 years before turning 62 years old;
- Have satisfactory work performance, as assessed by the employer; and
- Be medically fit to continue working.

Revisions to the EAP amounts

The EAP is designed to assist employees who are not being re-employed to tide over a period of time while they look for another job position.

| | Current Guidelines (dated 11 January 2011) | Revised Guidelines (dated 18 May 2016) |
|--|---|---|
| Suggested EAP amount | 3 months of salary | 3.5 months of salary |
| Minimum EAP amount for low-wage earners | SGD 4,500 | SGD 5,500 |
| Maximum EAP amount | SGD 10,000 | SGD 13,000 |
| A lesser EAP amount of 2 months of salary may be considered if the employee has been | Re-employed for at least 18 months | Re-employed for at least 30 months |

The revised Guidelines also now provide for consultations and discussions between the employer and its union on the EAP amounts where appropriate.

Medical Benefits

The revised Guidelines suggest that while the employee is re-employed, they could consider:

- providing the existing medical benefits to the employee,
- restructuring the existing medical benefits into another suitable portable medical scheme, and
- leveraging Medishield Life to provide medical benefits to re-employed employees (for example by providing additional Medisave contributions to re-employed employees, which has the effect of making medical benefits more portable)

in addition to the previously suggested co-payment of medical benefits and caps on medical benefits claimable, and providing additional Medisave contributions.

Recognising Contributions

Another noteworthy revision in the Guidelines is the addition of a section which outlines guiding principles on the ways in which an employer can recognise the contributions of the re-employed employees:

- Annual increments: a re-employed employee should be eligible for annual increments if they are not at the maximum of their salary ranges;
- Variable payments: subject to negotiation and mutual agreement;
- Any adjustments should be made on reasonable factors.

Comment on the Applicability of the Guidelines

The Act specifically mentions that the attempts to re-employ the employee must be in accordance with the gazetted Guidelines and when determining the EAP amount, the gazetted Guidelines must be taken into account.

The current Guidelines (dated 11 January 2011) is to provide a basis for mediation and adjudication of re-employment disputes, and will continue to apply in such disputes, until 1 July 2017.

Conclusion

The Guidelines were revised following the announcement that the re-employment age has increased. The Singapore Government has acknowledged that the demographic of the Singapore workforce is changing and has effected changes such as this to the labour law landscape in order to keep up.

As such, employers should take note of the revised Guidelines and plan to incorporate the changes in the near future.