

## LEGAL ALERT

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## Seniority Payments Postponed for Industries other than Garment, Textile, and Footwear

On 22 March 2019, the Ministry of Labour and Vocational Training (“MLVT”) issued Instruction 042/19 on The Payment of Pre-2019 Seniority Payment for Enterprises/Establishments in Non-Garment Textile and Footwear Sectors (“the Instruction”).

The Instruction follows the issuance of Prakas 443 on 21 September 2018 which introduced the requirement for seniority payments. Such seniority payments apply to employees on undetermined duration contracts, and replaces the previous “severance payment” requirements. Please refer to our [earlier alert](#) for further details on Prakas 443.

The Instruction now provides further details, including the postponement and calculation of back payment, which applies to enterprises that are not in the garment, textile and footwear industry.

### Key highlights of the Instruction:

- [Pre-2019 seniority payments postponed](#)

Prakas 443 originally required enterprises to pay accrued seniority payments to employees who have worked with them prior to 2019 according to a payment schedule starting from 2019. In accordance with the Instruction, these back payments are now postponed to December 2021 for non-garment, textile, and footwear enterprises.

- [Rate of back payments revised](#)

Under Prakas 443, the rate of back payment was 15 days per year, payable at 7.5 days in June, and 7.5 days in December annually.

The Instruction has revised the rate of back payment to now only requiring employers in non-garment, textile, and footwear enterprises to pay accrued seniority payments at a rate of 6 days per year, payable 3 days in June, and 3 days in December.

During this postponement, the employer is required to settle the back payment of the employee’s accrued seniority payment in a one-off payment to that employee or his/her inheritor if that employee is terminated due to reasons other than serious misconduct, retirement, or death. Employees who resign or are terminated due to serious misconduct will not be entitled to the back payment of their seniority indemnity before 2019.

- [Current seniority payments to be implemented from 2019](#)

The Instruction reminds employers in non-garment, textiles, and footwear sectors to continue implementing current seniority payments from 2019 onwards in accordance with Prakas 443.

If you have any questions or require any additional information, please contact [Matthew Rendall](#), [Phirum Ol](#) or [Liew Shan Berg](#) of SokSiphana&associates (a member of ZICO Law).