

LEGAL ALERT

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Ministry Clarifies Length for Fixed Duration Contracts and Effect of Probationary Periods

On 17 May 2019, the Ministry of Labour and Vocational Training (“MLVT”) issued Guideline No. 050/19 (the “Guideline”) on the length of fixed duration employment contracts and the effect of probationary periods in terms of calculation of severance or seniority payments for employees.

Maximum Length for Fixed Duration Employment Contracts (“FDC”)

Under the Labour Law, the length of a FDC shall not exceed two years but can be renewed, provided that the renewal does not exceed the maximum length of two years. However, the Labour Law does not state the maximum combined employment contract duration for an employment contract to be deemed as a FDC. This new Guideline sets out to address this ambiguity.

According to the Guideline, a FDC can be for a period of up to two years and can be renewed many times, so long as the period of renewal or combined period of multiple renewals do not exceed two years. Therefore, the maximum length for a FDC, including the initial term and the renewal, has been set to be four years at most.

The Guideline further illustrates the above by providing the following examples:

- If the initial employment contract is for a period of six months, then the total maximum duration of the FDC can be two years and six months.
- If the initial employment contract is for a period of one year, then the total maximum duration of the FDC can be three years.
- If the initial employment contract is for a period of two years, then the total maximum duration of the FDC can be four years.

Interestingly, the Guideline further clarifies that even if the maximum length of the FDC has been surpassed, the employer may still enter into a further fixed duration term contract with the employee, provided that there has been at least a one month gap between the lapse of the previous FDC and the entry of the new employment contract. Furthermore, all severance payments owed under the previous FDC would need to be paid out before the commencement of the new contract.

Effect of Probationary Periods

The Guideline also clarifies that the period of probation periods should not be included in respect of calculation of the severance payments under an FDC or seniority payments under an undetermined duration employment contract.

We would be pleased to assist anyone who requires any further information about the matters set out above. We can also assist with completion of the requisite annual quota and work permit applications, registrations, and declaration of opening enterprise with the Ministry of Labour and Vocational Training. Please do not hesitate to get in touch.

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

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