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Myanmar News: New Regulations on Severance Payments

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Following last month's proposal of the National Committee to set a minimum wage at a daily rate of MMK 3,600 (approx. USD 3.20), more than 200 protesters marched in Yangon for a higher rate of MMK 4,000. Factory owners, on the other hand, already objecting the rate of MMK 3,600 as too expensive, announced that the introduction of the proposed minimum wage will result in the dismissal of workers.

As a consequence, the Ministry of Labour published Notification 84/2015, introducing increased severance payments for the termination of employment contracts by the employer, which shall be applicable with effect from 3 July 2015.

Please find below a short summary of the recent changes.

Minimum Wage

In 2013, the Minimum Wage Law was enacted, giving authority to a National Committee to determine the rates of minimum wage for different industries. The law determines specific criteria which the National Committee shall consider in the determination of the rate. The law further provides for a consultation period of at least sixty days after the rate has been published. The public is granted a two-week period to file objections.

A new minimum wage rate was finally proposed by the National Committee last month. According to the publication, the rate shall be MMK 3,600 for an eight-hour work day and shall be binding for all employers of five or more employees. The minimum wage also applies to obligatory weekly rest days and leave days. Overtime has to be remunerated additionally.

Different rates apply to a training period and a probationary period of up to three months each, during which only 50 % respectively 75 % of the minimum wage have to be paid.

Both employees and employers have announced to file objections against the proposed rates.

Notification 84/2015

With Notification 84/2015, the Ministry of Labour introduced an obligatory severance payment to be paid upon termination of an employment contract by the employer.

The amount of compensation depends on the time of consecutive employment, with a severance payment of one-

half monthly salary after a minimum employment period of at least six months up to 13 monthly salaries for employees having been employed for more than 25 years.

The details are as follows:

- i. Duration of employment of more than six months:
½ monthly salary
- ii. Duration of employment of more than one year:
1 monthly salary
- iii. Duration of employment of more than two years:
1 ½ monthly salaries
- iv. Duration of employment of more than three years:
3 monthly salaries
- v. Duration of employment of more than four years:
4 monthly salaries
- vi. Duration of employment of more than six years:
5 monthly salaries
- vii. Duration of employment of more than eight years:
6 monthly salaries
- viii. Duration of employment of more than ten years:
8 monthly salaries
- ix. Duration of employment of more than 20 years:
10 monthly salaries
- x. Duration of employment of more than 25 years:
13 monthly salaries

Please do not hesitate to contact us for further guidance and information.

Luther Law Firm Limited



Alexander Bohusch

Rechtsanwalt/Attorney-at-law (Germany)
Luther Law Firm Limited
Myanmar
Phone +95 1 230 1609/+95 1 230 1917
alex.bohusch@luther-lawfirm.com

Imprint

Luther Rechtsanwaltsgesellschaft mbH, Anna-Schneider-Steig 22,
50678 Cologne, Phone +49 221 9937 0, Fax +49 221 9937 110,
contact@luther-lawfirm.com

Editor: Alexander Bohusch, Rechtsanwalt/Attorney-at-law (Germany), Luther Law Firm Limited, Luther Corporate Services Limited, Myawaddy Bank Luxury Complex, 4th floor, Apt. 401, Bo Gyoke Road cnr. Wa Dan Street, Lanmadaw Township, Yangon, Myanmar, Phone: +95 1 230 1609/+95 1 230 1917, Fax: +95 1 230 1353, HP (MM): +95 9 425 0136 00, HP (SG): +65 9 829 1829, alexander.bohusch@luther-lawfirm.com

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contact@luther-lawfirm.com

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