MSI Journal of
Arts, Law and Justice (MSIJALJ)

Volume: 3, Issue: 8 (August-2026)
Published by *MSI Publishers*
ISSN 3049-0839 (Online)

Received: 21-06-2026
Accepted: 16-08-2026
Published: 19-08-2026

# BUILDING A STRONG WORKFORCE: REDUNDANCY PAYMENT FOR MSMES IN YANGON

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**ABSTRACT:** This study analyzes the legal framework regulating redundancy payments and employment termination in Myanmar, specifically concerning Micro, Small, and Medium Enterprises (MSMEs). Redundancy transpires when an employer diminishes the staff owing to business cessation, relocation, or a decline in operational needs. While redundancy is often acknowledged in work practices, Myanmar legislation lacks a specific definition of the term, with its regulation mostly sourced from the Standard work Contract and Ministry of Labour Notification No. 84/2015. This study used a doctrinal legal research technique to examine pertinent labour legislation, employment contract stipulations, and international labour standards, especially those established by the International Labour Organization (ILO). The data indicate that redundancy payments

 **DOI:** ***10.5281/zenodo.22008291***

serve as the primary means of income security for workers in Myanmar, given the nation has yet to implement an unemployment insurance system. The requirement to provide severance compensation imposes financial difficulties for MSMEs, resulting in conflicts around termination processes and compensation assessments. The report suggests that Myanmar must enhance procedural safeguards for redundancy, incorporating consultative processes, transparent compensation regulations, and more precise legal definitions. Moreover, the incremental establishment of a contributory unemployment protection system aligned with international labor norms will facilitate the equilibrium between employee income security and corporate viability.


## ACKNOWLEDGEMENT

We express our gratitude to Rector Dr. Nu Nu Lwin and Pro-Rector Dr. Soe Soe Aung of Naypyitaw State Academy for permitting us to undertake the research, which has been invaluable and has afforded us significant chances.


## BUILDING A STRONG WORKFORCE: REDUNDANCY PAYMENT FOR MSMES IN YANGON

### *CHAPTER 1*

### INTRODUCTION

In modern business contexts, the necessity to minimize labour expenses for organizational sustainability, along with the demand for agility in adapting to technological progress and variable economic circumstances, serves as a primary justification for workforce reduction. Such issues may not necessarily require firing, as alternative solutions may be used, including retraining and redeployment, recruiting limitations, early retirement plans, overtime elimination, working hour reductions, and short-time working arrangements. However, it is likely that, at some point, certain individuals will face involuntary termination of employment. By the mid-1960s, numerous trade unions had negotiated severance agreements with employers, instituting legal procedures and compensation systems for redundancy cases.

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Redundancy compensation was one of the initial types of employment protection instituted by legislation. The purpose of a redundancy payout is not to provide cash support during unemployment; instead, it aims to acknowledge and compensate for an employee's vested interest in their work relationship. A redundancy payout is determined using the same methodology as the basic award in instances of unjust dismissal. Redundancy-related dismissals are a prevalent characteristic of economies undergoing continuous transformation and advancement. Statutory protections for workers were initially implemented as a strategy to promote labour mobility.

## 1.1 The Definitions Redundancy

Redundancy may be characterized as, first, situations involving the closure of the business or a particular part of it, and second, situations resulting from surplus labour, commonly referred to as overmanning. An employer is legally required to make a redundancy payment to any employee who is dismissed on the grounds of redundancy or who otherwise becomes entitled to such a payment as a result of being laid off or placed on short-time working arrangements.

In order to obtain a redundancy payment, the employee

1. must be under the normal retirement of age for the business,
2. must have been continuously employed for at least two years,
3. must have been dismissed (or laid off or put on short time); and
4. the reason for dismissal must be redundancy.

According to Section 4 (d) of the Payment of Wages Law, 2016, an employer is required to pay all outstanding wages to a worker within two working days from the date of termination. In this regard, Clause 15 (b) (4) of the Employment Contract Template (EC) regulates redundancies and the termination of employment. The EC is a standardized contract issued by the Ministry of Labour and contains mandatory provisions that must be incorporated into all employment contracts.

Under this clause, where redundancies or terminations are contemplated, the employer is required to engage in consultation. If no labour organization exists at the workplace, the

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employer must consult with the Workplace Coordination Committee. Where a labour organization has been formed, consultations must be conducted jointly by representatives of the labour organization and the Workplace Coordination Committee with the employer or the employer's authorized representative.

### 1.2 Cessation of Business

Where there is a close-down of the business there are few legal problems. The tribunal is merely required to see if in fact the business has been shut down and is not required to look at the reasons behind the closure.The redundancy occurs in three situations - the employer ceasing business, the employer moving his place of business or the employer reducing his labour force.

If the employer relocates their business or ceases operations at a certain location while continuing elsewhere, it constitutes redundancy under the Act. Two points warrant attention, however. The relocation must be significant and impact the employee's travel expenses, among other factors. The employee's contract included a mobility clause, stipulating that it would not be enforced against employees who provided evidence of hardship. Examples of hardship included children who were about to sit public examinations. The employee refused to move because his son wished to proceed to A levels and so he resigned and took up employment elsewhere. The employee claimed a redundancy payment.

In the absence of a mobility clause, whether stated or implicit, if a position at another location is considered viable alternative employment and the employee unjustly declines it, they will forfeit their entitlement to a redundancy payment. In some circumstances, the employee will be ineligible for a redundancy payment. This occurs when the employer terminates the contract where:

a. The employee engages in wrongdoing, resulting in the employer terminating employment without warning or

b. The employee engages in wrongdoing, resulting in the employer terminating employment with a notice period shorter than that required for redundancy or

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c. Upon the expiration of the redundancy notice, the employer provides the employee with a written statement indicating that the employer is allowed to terminate employment without notice due to the employee's actions.

In such cases the dismissal is for reasons of the employee's conduct and not redundancy.

The employer can extend the redundancy notice period and require the employees to work in order to make up the days lost by the industrial action and if the employees refuse, they disentitle themselves to a redundancy payment. If an employee while under notice of redundancy commits an act of mis-conduct and is dismissed for this misconduct, the tribunal may award him such part of his redundancy payment as the tribunal considers just and equitable. The employee must have actually committed the misconduct, however, a reasonable belief by the employer is insufficient. Thus, an employee who commits an act of misconduct during notice of redundancy may get some, if not all, of his redundancy payment whereas the employee who has committed misconduct before being given notice of redundancy and is then. made redundant will get nothing if he is dismissed with short notice or the employer gives the necessary statement.

In Section 15 (b) (2) of the Employment Contract Template, 2017, it is customary to provide a written warning when misconduct is substantiated or the employee's performance is deemed unsatisfactory. An additional act of misconduct or failure to enhance performance within a designated timeframe typically leads to a final written warning. In cases where an employee's initial transgression or inadequate performance is notably severe, it may be suitable to proceed directly to a final written warning. This may happen when the employee's activities have caused, or are likely to cause, significant or detrimental effects on the organization.

A first or final written warning should set out the nature of the misconduct or poor performance and the change in behaviour or improvement in performance required (with timescale). The employee should be told how long the warning will remain current. The employee should be informed of the consequences of further misconduct, or failure to improve performance, within the set period following a final warning. For instance, that it may result in dismissal or some other contractual penalty such as demotion or loss of seniority. Some acts, termed gross misconduct, are so serious in themselves or have such


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serious consequences that they may call for dismissal without notice for a first offence. But a fair disciplinary process should always be followed, before dismissing for gross misconduct.

Conduct or more correctly misconduct, is one of the most common reasons for dismissal. Yet again it is up to the employer to provide evidence that the reason exists and so an investigation is essential. The Code and the employer's procedure will be discussed below when looking at aspects of reasonableness. While the statute lays down no guidelines as to the type or seriousness of misconduct that can justify dismissal, some principles seem to have emerged from the case. First, the conduct does not have to be gross, only substantial in relation to the circum-stances of the case, so that relative minor acts may, in certain circumstances. justify dismissal. Second, the conduct does not have to be blameworthy. Third, if the employer has a number of suspects and after an investigation cannot discover which one is guilty, but knows at least one must be, it appears that it is fair to dismiss all.

Misconduct can be at two different levels: misconduct and serious misconduct. Examples of potential misconduct include:

- using inappropriate language
- internet misuse
- spending too much time on social media during work hours
- not following reasonable and lawful instructions
- minor breaches of the employment agreement, like dressing inappropriately at work
- repeated lateness.

Examples of potential serious misconduct include:

- violent behaviour
- being charged (or similar) with a civil or criminal offence
- major breaches of the employment agreement
- breaches of a policy, for example, a workplace or professional body code

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- of conduct
- bullying or harassing another employee
- sexual, racial or other harassment
- theft or fraud
- behaviour that causes danger to the employee or others
- acting badly outside of the workplace while identifiable as an employee
- drunk or disorderly behaviour
- using illegal drugs at work
- dishonesty.

These examples may not be considered serious misconduct by an employer in all situations, but they may still amount to misconduct. In some circumstances, an employee's behaviour outside of work, including on social media, can be considered misconduct, for example, if an employee hurts someone, the media reports it, and this damages the employer's reputation.

The cessation of company and redundancy are meticulously governed aspects of employment law aimed at reconciling the interests of businesses and employees. Employers possess the right to restructure, relocate, or terminate their firms; nevertheless, they must adhere to legal obligations and equitable processes. Entitlement to redundancy may be forfeited if employees unreasonably decline acceptable alternative employment or if termination is due to established wrongdoing rather than redundancy. The differentiation between ordinary misconduct and significant misconduct is crucial, as it dictates whether termination may proceed with or without notice. Ultimately, equity, thorough inquiry, and compliance with established disciplinary protocols are crucial for securing valid dismissals and safeguarding employees' rights, including redundancy compensation.


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## *CHAPTER 2*

## LITERATURE REVIEW

The literature indicates that redundancy in Myanmar is primarily understood as an involuntary termination resulting from economic or operational circumstances, such as downsizing, restructuring, business closure, or a reduction in the need for particular work, rather than employee misconduct or incapacity. Under the Standard Employment Contract and Ministry of Labour Notification No. 84/2015, employees are generally entitled to redundancy compensation where they have completed at least six months of continuous service and are terminated for genuine redundancy reasons, with compensation calculated according to their length of service and basic salary. The literature distinguishes genuine redundancy from ordinary termination and surplus labour, emphasizing that redundancy must be the principal reason for dismissal and that changes in job duties or the replacement of a dismissed employee may undermine a redundancy claim. However, Myanmar's existing framework faces challenges concerning procedural clarity, employee consultation, notification, compensation disputes, and the absence of comprehensive unemployment protection. Therefore, strengthening objective redundancy procedures, consultation mechanisms, and social protection measures is necessary to ensure a fair and sustainable employment protection system.

### 2.1 Entitlement to Claim the Redundancy Payments

While Myanmar lacks legislative measures that define redundancy, the concept is acknowledged. Clause 15(b)(4) of the Employment Contract Template (EC) addresses redundancies and termination of employment. An employer may terminate an employee solely for legitimate reasons.

The aim of a redundancy payment has never been to cushion a person over a period of unemployment, but rather to recognize an employee's stake in his job. This means that it is irrelevant if the employee has another job to go to once he has been made redundant, he is still entitled to a redundancy payment. In addition, the employee's stake increases the longer he has worked for the employer and as such his payment increases with his age and his years of service. A redundancy payment is calculated in the same way as the basic award in unfair dismissal.

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Under Section 2(b) of the Settlement of Labour Dispute Rule, damages refer to the monetary compensation that an employer is obligated to pay a worker for workforce reduction or lock-out resulting from economic, financial, or raw material challenges, as well as for termination or dismissal that contravenes applicable labour laws, regulations, procedures, or breaches of employment or collective agreements by the employer.

According to the Employment Contract Template, redundancy payment is payable upon termination except in the following instances:

- The employee resigns.
- The employee tarnishes the reputation of the employer.
- The employee breaches a term of the employment contract that is misconduct (for a serious breach of contract, the employee can be dismissed immediately).
- The employee commits a minor breach of a term of the employment contract (the employee can be dismissed after three warnings).

The qualification of employee for redundancy payment are as follows ;

- Employees terminated without cause, including redundancy, downsizing, or restructuring.
- Employees with continuous employment exceeding six months.
- Employees whose contracts are terminated by the employer, not due to resignation or misconduct.
- Employees working under a valid employment contract recognised by the Ministry of Labour.
- Fixed-term employees whose contracts are ended early by the employer.

A redundancy payment has occurred if the dismissal is wholly or mainly attribut-able to:

a. the fact that his employer has ceased, or intends to cease, to carry on the business for the purposes for which the employee was employed by him, or has ceased, or

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intends to cease, to carry on that business in the place where the employee was so employed, or

b. the fact that the requirements of that business for employees to carry out work of a particular kind, or for employees to carry out work of a particular kind in the place where he was so employed, have ceased or diminished or are expected to cease or diminish.

This means that redundancy occurs in three situations - the employer ceasing business, the employer moving his place of business or the employer reducing his labour force.

According to Section 26, Settlement of Labour Dispute Rule, in the decision, the manners and amounts of the damages for termination from work or damages for dismissal from work or damages for lock-out shall be mentioned and such cash benefits shall be paid within 30 days from the date of decision.

In order to claim a redundancy payment, an employee must have 6 months continuous service and be dismissed for reason of redundancy. In addition, the same classes of employee are excluded from claiming a redundancy payment as are excluded from claiming unfair dismissal. These situations are the same as unfair dismissal, that is, employer termination with or without notice, a fixed – term contract expiring and constructive dismissal. In addition, if the employment is terminated by the death, dissolution or liquidation of the employer, or the appointment of a receiver, there is a dismissal for reason of redundancy. Entitlement to claim, however, is dependent on the dismissal being because of redundancy and not for any other reason.

The entitlement to redundancy payment primarily hinges on three critical factors: the actual reason for termination, the duration of continuous service, and the lack of substantial wrongdoing. Upon fulfilment of these conditions, the employee is legally entitled to receive redundancy compensation at the stipulated amounts in accordance with Myanmar Labour Law.

## 2.2 Surplus/Excess Labour

Redundancy must be the exclusive or primary justification for a termination. Until recently, if an employer chose to redeploy a redundant employee by assigning them to another


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worker's position, the fired employee remained entitled to claim a redundancy payout. This was because redundancy was regarded as the underlying reason for the dismissal, even though it was not the dismissed employee's original position that had been rendered redundant.

If an employer no longer necessitates employees to execute specific tasks, for instance, due to outsourcing to self-employed individuals, the employer's requirement for employees regarding those obligations is considered to have terminated. However, a change in emphasis in the tasks that constitute a job does not ordinarily amount to redundancy; only in exceptional circumstances may a court determine that such a change results in the employer requiring a fundamentally different type of work. By contrast, where a dismissed employee is subsequently replaced, the dismissal cannot be characterized as a redundancy, as the employer's requirement for employees has not diminished.

Labour disputes in factories across 44 townships, with the exception of Cocogyun Township, are addressed by the Township-Level Mediation Board in accordance with the Settlement of Labour Dispute Law. The arbitration panel and the arbitration council collaboratively endeavour to resolve such conflicts. Union Minister Dr. Pwint San of the Ministry of Labour stated that disputes between employers and employees must be resolved through a formal legal procedure. The rights of all parties must be protected equitably, and choices should be made to benefit both employers and employees. The Chief Minister of Yangon Region reported that mediation teams in the 44 townships have successfully resolved 243 disputes, resulting in compensation payments to 833 workers amounting to K1,027.19 million. The case highlighted pertains specifically to redundancy payments made for surplus personnel.

Redundancy occurs when an employer no longer necessitates individuals to execute specific activities owing to corporate downsizing, outsourcing, or diminished operational requirements. A shift in job responsibilities generally does not qualify as redundancy, and the replacement of a terminated employee negates a redundancy claim. Redundancy must be the primary justification for termination, and even if an employee is presented with redeployment options but is eventually terminated, they retain the right to redundancy pay. In Myanmar, labour issues in factories across 44 townships are resolved through township-level mediation and arbitration processes to guarantee unbiased resolution and safeguard

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employee rights. In a recent case concerning an MSME, an employee dismissed due to surplus labour resulting from decreased business activity successfully asserted claims for redundancy and termination payments under Notification No. 84/2015, Ministry of Labour, underscoring that employers are legally mandated to furnish compensation for workforce reductions due to excess personnel.

### 2.3 Termination or Reduction in the Work

Termination of employment refers to the legal ending of the contractual relationship between employer and employee. In employment law, this concept encompasses various forms of separation, including voluntary resignation, termination by mutual agreement, frustration of contract, and dismissal by the employer. Among these, dismissal is the most legally significant, as it engages statutory protections relating to notice, unfair dismissal, and redundancy payments. Sargeant and Lewis explain that termination may arise either through express dismissal by the employer or through constructive dismissal, where an employee resigns in response to a fundamental breach of contract by the employer. The legal characterization of termination is therefore essential in determining whether statutory remedies are available.

A crucial differentiation in termination legislation exists between wrongful dismissal and unfair dismissal. Wrongful dismissal is fundamentally a contractual claim, occurring when the employer violates the employment contract, usually by neglecting to furnish the requisite notice time. In contrast, unfair dismissal is a legal notion that evaluates both the justification for termination and the fairness of the employer's actions. Under this framework, employers must demonstrate a fair reason for dismissal such as capability, conduct, redundancy, contravention of a statutory duty, or some other substantial reason and must also show that dismissal was reasonable in the circumstances. The test of reasonableness reflects the balance between managerial prerogative and employee protection that lies at the heart of modern employment law.

Redundancy constitutes a distinct and economically driven form of termination. It arises where the employer’s need for employees to carry out work of a particular kind has ceased or diminished. Unlike dismissals based on misconduct or incapacity, redundancy is linked to operational requirements rather than individual fault. Nevertheless, even in cases of

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genuine redundancy, procedural fairness remains crucial. Employers are expected to apply objective selection criteria, engage in consultation where appropriate, and comply with statutory redundancy payment obligations. These requirements seek to ensure that economic restructuring does not become a pretext for arbitrary or discriminatory dismissal.

Termination of employment may occur either with notice or without notice, and its legality depends upon compliance with contractual and statutory requirements. A summary dismissal, which involves termination without notice, is justified only where the employee commits gross misconduct amounting to a repudiatory breach of an express or implied term of the contract, such as dishonesty, serious insubordination, or conduct that destroys mutual trust and confidence. As Lewis, Sargeant and Schwab explain, summary dismissal is grounded in the common law doctrine of repudiatory breach, under which the employer may treat the contract as terminated where the employee's conduct goes to the root of the employment relationship. The authors further emphasize that the focus is on the damage to mutual trust and confidence rather than the mere occurrence of misconduct. By contrast, termination with notice represents the ordinary method of ending employment and must comply with contractual provisions and statutory minimum notice requirements under Section 86 of the Employment Rights Act 1996 1996 (UK). Failure to provide proper notice, or to follow agreed disciplinary procedures, constitutes wrongful dismissal, entitling the employee to damages equivalent to the salary and benefits that would have been earned during the notice period, but not compensation for injured feelings (Addis Vs. Gramophone Co Ltd [1909] AC 488). The law regulating job termination establishes a systematic equilibrium between managerial power and employee safeguarding, emphasizing that dismissal constitutes a controlled legal action rather than an entirely discretionary managerial choice.

Employment termination, especially regarding redundancy, denotes the legal cessation of an employment connection owing to the operational necessities of the organization, rather than the behaviour or ability of the individual employee. In international labour law, redundancy is regarded not solely as a managerial discretion, but as an issue intimately connected to income security and social safety. The International Labour Organization (ILO) acknowledges that employment termination has considerable socio-economic ramifications, particularly in nations lacking unemployment insurance. The ILO analysis

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indicates that, in the absence of nationally administered cash benefit schemes, unemployed workers must depend predominantly on severance payments from employers to ensure income security during jobless periods. This reality highlights the structural importance of establishing balanced mechanisms that combine employer liability with broader social protection systems grounded in principles of solidarity.

Furthermore, the ILO emphasizes that employment termination cannot be addressed solely within the employer, employee relationship but requires public measures grounded in principles of solidarity. In economies undergoing structural transformation, such as Myanmar, workforce reductions may result from economic restructuring, sectoral shifts, or unforeseen events. In such contexts, redundancy must be managed through clear legal rules, procedural fairness, and income protection measures. The ILO Conventions on Social Security (No. 102), Employment Promotion and Protection against Unemployment (No. 168), and the Social Protection Floors Recommendation (No. 202) collectively advocate for advance notice, fair compensation, and unemployment protection systems to mitigate the social impact of job loss.

The ILO framework emphasizes that severance compensation should be integrated into a comprehensive unemployment protection scheme rather than serve as the exclusive safeguard for displaced workers. In the absence of unemployment compensation, as is presently observed in Myanmar, the financial burden of redundancy disproportionately impacts employers, especially micro, small, and medium enterprises with constrained liquidity. This fundamental mismatch may jeopardize both business sustainability and labor protection. Consequently, harmonizing Myanmar's redundancy framework with international labour standards necessitates the enhancement of procedural safeguards, including consultation, objective selection criteria, and notification requirements, while gradually establishing a contributory unemployment protection system.

The concept of redundancy is fundamentally rooted in the employer's right to manage their business size in response to economic necessity. According to Sargeant and Lewis (2018), redundancy occurs when there is a cessation or diminution of work of a particular kind. For MSMEs, this is often a survival mechanism during economic instability. However, the law distinguishes between a "fair" termination for reduction in work and "unfair dismissal." A fair redundancy process requires the employer to demonstrate that the job itself has


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disappeared, rather than the termination being a pretext for removing a specific individual. In Myanmar's regulatory landscape, this aligns with the Employment and Skill Development Law (2013), which requires businesses to provide clear justifications for downsizing to avoid labor disputes.

Under Myanmar law, termination of employment must be regulated in accordance with the Standard Employment Contract prescribed under Section 5 of the Employment and Skill Development Law 2013. Employers must legally finalize a formal employment contract utilizing the official template sanctioned by the Ministry of Labour within 30 days of hiring. This Standard Employment Contract has explicit provisions on probation, resignation, termination with notice, termination for misconduct, and severance rights. The contractual termination clause functions within a statutory framework and cannot be composed arbitrarily.

In cases of redundancy or reduction in work, termination must comply with statutory severance obligations under Ministry of Labour Notification No. 84/2015, which establishes a graduated scale of compensation based on length of continuous service. The employment contract template cannot exclude or reduce these statutory payments. Moreover, disputes arising from termination are subject to conciliation and arbitration under the Settlement of Labour Disputes Law, 2012, (Amend 2019), which provides a multi-tier mechanism through Township Conciliation Bodies and Arbitration Bodies. This demonstrates that termination under Myanmar's employment contract template is not merely contractual but subject to statutory control and administrative oversight.

Termination of employment under Myanmar law is governed not only by statute but also by the Standard Employment Contract template issued pursuant to Section 5 of the Employment and Skill Development Law 2013. The contract, which must be approved by the Township Labour Office, sets out specific grounds and procedures for resignation, dismissal, and termination due to reduction in work. Clause 14, Employment Contract Template, 2017, regulates resignation and dismissal. Under Clause 14(b)(1), disciplinary dismissal must follow a progressive warning system: first violation results in a personal warning, second violation in a written warning, and third or final violation in a signed warning. Only after these three warnings may the employer dismiss the employee without compensation, although any remaining salary must still be paid. Furthermore, Clause 14

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(b) (2) permits termination by giving one month's notice and paying compensation, except in cases of repeated disciplinary violations.

Clause 15, Employment Contract Template, 2017, provides additional grounds for termination, including expiration of the contract, closure of the factory or company, reduction of jobs due to unexpected problems not caused by the employer, violation of contractual terms, death of the employee, and commission of crimes. The provision relating to "reduction of jobs because of unexpected problems" constitutes the contractual basis for redundancy or reduction in work. In such cases, Clause 16(a), Employment Contract Template, 2017, obliges the employer to provide sufficient compensation for termination, reduction of employees, or sale of the business. This contractual obligation must be read together with Ministry of Labour Notification No. 84/2015, which prescribes statutory severance pay according to the employee's length of continuous service.

Accordingly, the Myanmar Employment Contract Template embeds procedural safeguards, notice requirements, and compensation standards within the contractual structure. Termination and reduction in work are therefore not matters of unfettered managerial discretion but regulated processes subject to statutory oversight and dispute resolution mechanisms under the Settlement of Labour Disputes Law, 2012, (Amend 2019).

Thus, the termination and redundancy processes within Myanmar's labour framework indicate that although employers have the rightful power to discipline employees and reorganize their enterprises, this power must be executed within explicitly delineated procedural and substantive constraints. The analyzed arbitration cases demonstrate that dismissals frequently arise from insufficient documentation, inconsistent warning protocols, and disagreements on award calculations, resulting in unnecessary litigation. Simultaneously, employee wrongdoing or performance deficiencies must not be overlooked, highlighting the necessity for equitable accountability. A critical structural issue persists due to the lack of unemployment insurance, rendering severance pay the principal means of income protection and imposing considerable financial burdens on companies, especially micro, small, and medium enterprises (MSMEs). Myanmar should enhance progressive disciplinary standards, establish objective and transparent redundancy procedures, augment the role of Workplace Coordinating Committees in consultation processes, and progressively implement a contributory unemployment protection scheme


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in accordance with international labour standards. These measures would improve legal certainty, diminish industrial dispute, and foster a more equal and sustainable employment protection framework.

## 2.4 Calculation of the Redundancy Payments

According to Notification No.84/2015 from the Ministry of Labour, employees in Myanmar are entitled to redundancy compensation if their employment is ended by the employer for reasons not associated with serious misbehaviour, including redundancy, downsizing, or restructuring.

In Myanmar, according to the existing laws and regulations, there are three major components payable at the time of separation depending upon the reasons for separation: (i) unpaid salary; (ii) compensation for unused earned leave entitlement; and (iii) redundancy payment.

In general, employers have to pay redundancy when terminating employment before the period agreed to in the employment contract. Workers are entitled to redundancy payment in case of involuntary termination of their contract, including in the case of liquidation of the business of the employer, suspension of business due to unforeseeable events, and death of the employee. The employer must give his redundant employee a written statement setting out how his redundancy compensation has been calculated. Failure to do so renders the employer liable to a fine.

Furthermore, labour officials assert that in the absence of a labour organization or WCC, the employer must engage and negotiate with employees or their representatives prior to terminating employment due to redundancy. The employer is required to notify the Department of Labour (DOL) or the Department of Labour Relations regarding redundancies and employment terminations.

The amount of redundancy payment is calculated based on the number of months that the employee has consecutively worked for the employer and the employee's latest monthly salary, excluding overtime payments. Employees obtain a credit for redundancy payment equivalent to half of their monthly salary after completing six consecutive months of service for the employer. After a year of service, an employee accumulates a redundancy


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payment credit equal to another half a month's pay. The credit continues to build up every year up to a maximum redundancy entitlement of 134 months' worth of pay for 25 years of service.

Redundancy and severance payments in Myanmar are calculated based on the length of service as stipulated by Notification 84/2015, ranging from half a month's salary for six months of service to 13 months' salary for over 25 years. It applies to staff terminated due to business restructuring or closure, excluding those fired for misconduct.

The Ministry of Labour, Employment and Social Security in Myanmar establishes the compensation rates to be disbursed by employers for terminated workers, exercising authority granted under Section 59(b) of the Labour Dispute Resolution Law and Section 41 (b) of the Employment and Skills Development Law.

An employer shall pay a worker basic wages (excluding overtime pay) at the following rates in case of termination as compensation:

a. compensation of wages for 1/2 months if 6 months, but less than 1 year of service is completed;

b. compensation of wages for 1 month if 1 year, but less than 2 years of service is completed;

c. compensation of wages for 1 1/2 months if 2 years, but less than 3 years of service is completed;

d. compensation of wages for 3 months if 3 years, but less than 4 years of service is completed;

e. compensation of wages for 4 months if 4 years, but less than 6 years of service is completed;

f. compensation of wages for 5 months if 6 years, but less than 8 years of service is completed;

g. compensation of wages for 6 months if 8 years, but less than 10 years of service is completed;

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h. compensation of wages for 8 months if 10 years, but less than 20 years of service is completed;

i. compensation of wages for 10 months if 20 years, but less than 25 years of service is completed;

j. compensation of wages for 13 months if 25 or more years of service are completed.

Prior to terminating an employee for misconduct without offering a severance payout, the employer must issue three warnings: one verbal and two written. An employee may be terminated only once an additional infraction occurs within 12 months following the third warning. An employer may terminate an employee immediately without severance payment for behaviours deemed gross misbehaviour, including theft, gambling, or the use of narcotic narcotics.

In Myanmar, businesses are required to provide severance promptly upon termination or within the final payment cycle. The payout shall encompass the complete redundancy entitlement corresponding to the employee's duration of service as delineated in Notification No. 84/2015.

Failure to pay redundancy correctly can expose employers to serious penalties under Myanmar's Labor Laws. Non-compliance can result in:

- Government fines imposed by the Ministry of Labour.
- Employee complaints or lawsuits leading to mediation or arbitration.
- Repayment of outstanding severance plus interest for late payment.
- Reputational damage and potential licensing or permit restrictions.
- Administrative sanctions or temporary suspension of business operations in severe cases.

Redundancy payments are not mandated in instances of voluntary resignation by the employee or termination resulting from significant misconduct by the employee. The redundancy amount is determined by the employee's duration of uninterrupted employment with the business.


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*CHAPTER 3*

## METHOLODOGY

This study used a qualitative doctrinal legal research methodology to examine Myanmar's legal framework governing redundancy payments and termination of employment, with particular attention to micro, small, and medium enterprises (MSMEs). The research analyzes relevant legislation, regulations, the Standard Employment Contract Template, Ministry of Labour's Notifications, labour dispute decisions, and applicable International Labour Organization (ILO) standards. A limited comparative analysis is also employed to identify legal and institutional gaps in Myanmar's redundancy protection system. The study relies primarily on secondary legal and policy sources and focuses on accessing the allocation of risks between employers, employees, and the State, the effectiveness of procedural safeguards, and the adequacy of income protection following job loss. The methodology therefore seeks to identify challenges in implementing redundancy obligations and propose legal and policy measures that balance employee protection, income security, and the operational sustainability of MSMEs.

### 3.1 Theoretical framework

This study is based on the theory of employment protection and social risk allocation, which analyzes how legislative frameworks allocate the economic risks associated with job loss among firms, employees, and the State. In labour law, redundancy payments have historically been rationalized not as unemployment income assistance, but as compensation acknowledging a worker's vested interest in the employment relationship through tenure and job commitment. Simultaneously, modern labour governance increasingly perceives redundancy as a societal risk with broader economic implications, necessitating governmental interventions and community accountability instead of relying just on individual employment contracts for protection.

The research employs the balancing theory of managerial prerogative against employment security, acknowledging that employers must maintain the ability to restructure, relocate, or reduce labour costs for survival, especially in volatile markets, while ensuring that terminations are governed by fairness, transparency, and legal protections. Redundancy law serves as a framework for concurrently managing corporate flexibility and employee

 **DOI:** *10.5281/zenodo.22008291*

protection, ensuring that operational restructuring does not serve as an excuse for capricious termination.

The research is ultimately guided by the ILO's Decent Work and social protection framework, which considers employment security, income protection, and social dialogue as fundamental prerequisites for sustainable development. In Myanmar, where unemployment insurance is absent, redundancy payments have an enhanced protective function by acting as the primary source of post-termination economic security. This transfers social risk to employers, particularly micro, small, and medium enterprises, generating structural conflict between economic sustainability and worker safety. The theoretical framework thus substantiates the primary assertion that Myanmar's redundancy regime is procedurally governed yet structurally deficient due to the absence of a comprehensive unemployment protection mechanism.

## 3.2 Conceptual framework

The research defines redundancy payment as the primary legal safeguard against employment termination in Myanmar. In the absence of unemployment insurance, redundancy compensation serves both as acknowledgment of service and as an alternative kind of social support. The sustainability of MSMEs affects adherence to redundancy duties, while procedural measures including notice and compensation regulations seek to reconcile management flexibility with employee protection. The approach emphasizes the interplay of employee security, employer capability, and governmental accountability.

## 3.3 Study Design

This study employs a qualitative doctrinal legal approach to analyze Myanmar's labour laws on termination and redundancy. It analyzes legislation requirements, pertinent regulations, and international labour standards, especially ILO principles. A constrained comparison analysis is incorporated to discover structural deficiencies. The research depends on secondary sources and emphasizes legal and policy analysis instead of empirical data. In Myanmar, severance payout scales are typically governed by notices from the Ministry, with compensation escalating in accordance with years of service. In contrast to jurisdictions with established statutory formulas, Myanmar lacks a specific formula for calculating redundancy. Compensation is instead established through


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administrative protocols and negotiated agreements. The study additionally identifies discrepancies in implementation among various sectors. Large corporations are more inclined to adhere to formal protocols, while small and medium-sized organizations may implement inconsistent standards. This results in possible labor conflicts and disparate treatment of employees.

### 3.4 Research Questions

1. What is the existing legal framework governing redundancy payment and termination of employment in Myanmar, particularly for MSMEs?
2. What challenges arise in the implementation of redundancy payment obligations under Myanmar labour law and the standard Employment Contract Template?
3. How can Myanmar strengthen its redundancy protection system to balance employee income security and MSME sustainability in accordance with international labour standards?

## *CHAPTER 4*

## RESULTS

### 4.1 Case Study, Data Collection and Analysis

The Employee was engaged by the Employer during its standard business activities. Owing to a decrease in economic activity and diminished operational requirements, the Employer resolved to cut its workforce. The Employer terminated the Employee's job due to this reduction. The Employer said that the termination was not associated with wrongdoing, inadequate performance, or disciplinary matters, but rather resulted from an oversupply of labour owing to business contraction. The Employer did not disburse redundancy-related compensation upon termination. The Employee subsequently lodged a complaint with the Labour Settlement Disputes Committee, asserting a right to redundancy and termination benefits pursuant to Notification No. 84/2015, Ministry of Labour, Employment and Social Security, Myanmar. The Labour Settlement Disputes Committee held that termination resulting from workforce reduction in an MSME constituted redundancy arising from


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surplus labour and accordingly ordered the payment of redundancy and termination compensation.

The present dispute, registered as Dispute No. 19/2024 before the Yangon Region Arbitration Body under Rule 17(d), concerns the termination of employment of Daw Thuzar Myint and ten other workers by POPULAR INTERNATIONAL GARMENT MANUFACTURING Co., Ltd., located in Hlaing Tharyar (East) Township, Yangon Region. Following their dismissal, the workers filed a complaint before the Hlaing Tharyar (East) Township Conciliation Body, seeking reinstatement to their positions or, alternatively, compensation in accordance with the law. The workers claimed that compensation should be calculated based on their April 2024 salary, including basic salary, overtime pay, ticket allowance, bonus, attendance allowance, and grade allowance. However, the employer offered compensation calculated only on the basis of the last salary drawn in June 2024, amounting to 4,800 plus 1,000. As the parties failed to reach an agreement at the conciliation stage, the dispute was referred to the Yangon Region Arbitration Body. Upon consideration, the Arbitration Body decided that the employer was not required to reinstate the eleven workers but ordered that compensation due to the workers being paid in accordance with its determination.

The dispute arose from a complaint filed by Daw Zin Mar Ko against her employer, U Kyaw Kyaw Myint, and the HR Manager of KTZ Co., Ltd., regarding her dismissal without prior notice. The Dagon Township Conciliation Body conducted three mediation sessions; however, no agreement was reached. The worker demanded full severance compensation under labor laws, while the employer alleged misconduct and offered only two months' salary. Consequently, the matter was referred to the Yangon Region Arbitration Body. The Arbitration Body determined that Daw Zin Mar Ko was a competent employee who consistently achieved performance objectives and got multiple accolades throughout her seven years of service. Nonetheless, she consistently reported to work tardily and had already executed a final warning agreement on January 25, 2024, for violations of conduct. Consequently, she was accountable for breaching business regulations. The Arbitration Body noted deficiencies on the employer's behalf. It was deemed unsuitable to amalgamate three distinct instances into one "Final Warning." The employer also neglected to sufficiently acknowledge the employee's lengthy tenure and

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services. The company's management exhibited deficiencies in addressing recurrent tardiness with insufficient prior admonitions. Although the worker committed certain breaches of duty, including failure to visit a client and properly introduce new products, the Arbitration Body determined that dismissal without proper consideration was not fully justified. Accordingly, the employer was ordered to pay Daw Zin Mar Ko compensation in the amount of 3,778,635 MMK.

## 4.2 Research Findings and Discussion

The study indicates that redundancy arises when an employer ceases operations, relocates the workplace, or diminishes the workforce. A tribunal primarily examines whether the business has definitively ceased operations and does not scrutinize the employer's rationale for closure. Employees may be deemed redundant due to a corporate relocation if the transfer substantially impacts their commute or personal circumstances. Employees may forfeit their redundancy payout if they unreasonably decline acceptable alternative employment or if they are terminated for misconduct rather than redundancy. Misconduct, encompassing minor infractions such as tardiness to severe offenses like theft or harassment, may warrant termination if thoroughly investigated and substantiated. Employers are required to adhere to equitable disciplinary protocols, encompassing warnings and investigations, prior to termination. Employment law aims to reconcile the employer's authority to manage or reorganize a firm with the employee's entitlement to equitable treatment and safeguarding of redundancy rights. Redundancy is acknowledged in Myanmar's employment practices, despite its lack of a legal definition. Employers may dismiss employees owing to business cessation, relocation, or workforce reduction. Employees who have been continuously employed for over six months and are terminated without cause are eligible for redundancy reimbursement. Employees who quit or are terminated for misconduct are ineligible for this reward. Consequently, redundancy compensation mostly hinges on the cause of termination and the duration of the employee's service.


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*CHAPTER 5*

## CONCLUSION

This study analyzed the legal framework regulating redundancy payments and employment termination in Myanmar, focusing on its effects on Micro, Small, and Medium Enterprises (MSMEs). The study indicates that redundancy is acknowledged in Myanmar's labor practices, despite its lack of precise definition in the statute. The idea is governed by the Employment Contract Template promulgated under the Employment and Skill Development Law 2013 and by the compensation regulations set forth in Ministry of Labour Notification No. 84/2015. These instruments serve as the fundamental basis for establishing entitlement and calculating redundancy benefits.

The results indicate that redundancy frequently occurs when enterprises cease operations, migrate, or diminish their personnel owing to economic imperatives. In certain circumstances, employees who have fulfilled the requisite duration of service and whose dismissal is not attributable to misbehaviour are eligible to redundancy pay. Nonetheless, the investigation also uncovers numerous practical obstacles in the execution of redundancy regulations. Inconsistent disciplinary protocols, insufficient employee consultation, and disagreements overcompensation estimates often result in labour disputes and arbitration cases. These difficulties underscore the necessity for more explicit procedural safeguards and enhanced adherence to current labour standards.

Moreover, the analysis reveals a fundamental flaw in Myanmar's employment protection framework. In the absence of unemployment insurance or comprehensive social protection systems, redundancy payments serve as the primary source of income security for displaced workers. This imposes considerable financial strain on employers, especially micro, small, and medium enterprises with constrained economic resources. Consequently, reconciling economic sustainability with worker protection continues to be a primary concern within Myanmar's labour regulation structure.

The paper proposes various reforms to tackle these concerns. Myanmar ought to enhance procedural mandates for redundancy, encompassing more explicit consultation protocols, objective selection criteria, and transparent compensation assessments. Enhanced awareness of labor rights and employer responsibilities is essential to mitigate disputes and


**DOI:** ***10.5281/zenodo.22008291***

enhance compliance. In the long term, establishing a contributory unemployment protection program that adheres to International Labour Organization (ILO) criteria would equitably allocate the economic risks associated with job loss among companies, employees, and the State. These reforms would foster a more equitable and sustainable employment protection framework, simultaneously enhancing workforce security and the growth of micro, small, and medium enterprises (MSMEs).

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