



# Employment Considerations for Responsible Business Closure in Myanmar

This article is based on our understanding of the laws and regulations in Myanmar. Please note that future legislative changes or government regulations may affect the accuracy or applicability of the information provided.

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## 1. Introduction

In the course of business operations, circumstances may arise that require the closure and winding up of a company. When this occurs, employers have important legal responsibilities, particularly concerning their employees.

This article, *“Employment Considerations for Responsible Business Closure in Myanmar”* provides an overview of the key employment-related legal requirements involved in closing a business and how to manage employment matters properly. It is intended to guide employers and employees in understanding the legal framework surrounding business closure from a labour perspective.

When closing a business, employers must consider not only financial and operational factors but also their obligations to employees under applicable labour laws and regulations. The legal process requires careful attention to statutory notice, severance, coordination with relevant authorities, and employee communication.

This guide covers critical topics such as employee rights, redundancy, notice periods, and the impact of closure on wages and benefits. By understanding these obligations, employers can approach the closure process with clarity and fairness, supporting a responsible and compliant transition.

## 2. Overview of the Winding-Up Process

In Myanmar, a company can be closed either voluntarily or by a court order. For companies that are able to pay their debts, the most common method is a voluntary winding-up, where the company's members

or creditors agree to end the business formally. This process follows legal steps to ensure all obligations, including those to employees, are properly managed.

Voluntary winding up can happen in different situations, such as when the company's constitution sets a time limit or event for closure, or when the company or creditors decide to wind up the business. Even during voluntary winding up, creditors and contributors have the right to ask the court to take over the process if necessary.

Understanding the winding-up process helps employers comply with legal requirements and protect employees' rights during business closure.

## 3. Payment of Priority Claims

When a company undergoes winding up, certain debts must be paid before others. Importantly, employee claims such as unpaid wages, accrued leave, severance payments, and compensation for work-related injuries are given priority over many other unsecured debts. This legal protection ensures that employees are among the first to receive their due payments during the closure process.

Understanding this priority helps both employers and employees appreciate the safeguards in place to protect workers' rights when a business closes.

## 4. Employer's Legal Responsibilities in Business Closure

When closing a business, employers have several key legal duties to uphold. These include providing employees with proper and timely notice, ensuring all outstanding wages, benefits, and entitlements are fully

paid, and respecting employee rights related to redundancy and severance payments.

Employers are also responsible for maintaining clear and open communication with employees throughout the closure process. This involves informing employees about the closure timeline, explaining the reasons behind the decision, and addressing any changes affecting their employment status.

Failure to comply with these obligations can result in labour disputes, legal penalties, and significant damage to the company's reputation. Therefore, understanding and fulfilling these responsibilities enables employers to manage the business closure effectively while protecting employee rights and interests.

## 5. Ethical Consideration During Employer Exit

In the course of business closure, employers are encouraged to approach the process not only with legal compliance but also with a sense of fairness and responsibility. In certain circumstances, employees may be absent due to legally mandated obligations under conscription.

Under the People Military Service Law 2010 ("**Military Service Law**"), employers are generally expected to reinstate employees returning from military service to the same or a similar position. However, where a company is undergoing full closure and winding up, the practical ability to reinstate such employees may no longer exist. There is

no express carve-out in the Military Service Law for winding-up scenarios, but general employment law recognizes that if the business no longer exists, reinstatement becomes impossible in practice, and thus the obligation cannot be fulfilled.

In such situations, while the reinstatement requirement may not apply, it remains good ethical practice for employers to maintain accurate employment records, make reasonable efforts to communicate with such employees or their designated contacts and ensure that any outstanding entitlements are managed appropriately.

## 6. Unilaterally Employment Redundancy

Myanmar labour laws and regulations do not explicitly set out detailed procedures for employee dismissal or termination, nor do they specifically address redundancy as a separate concept. However, the Ministry of Labour ("**MoL**") has issued the Standard Employment Contract Notification ("**SEC Notification**"), which governs employment relationships in factories, workshops, companies, and organizations with more than five employees.

Under this Notification, employers and employees are required to follow the Standard Employment Contract ("**SEC**"), a template contract issued by the MoL and negotiated between both parties. While the SEC does not explicitly mention redundancy or termination due to redundancy, it includes provisions regarding termination "for cause" and termination "without cause."

- Termination for cause requires a valid reason and must be documented and signed by the employer or their authorized representative.
- Termination without cause can occur by providing the employee with one month's advance notice and fulfilling severance pay obligations under the law.

This framework implies that termination without cause such as redundancy arising from business closure is legally permissible, provided the employer gives proper notice and pays severance according to the applicable rules.

The SEC further clarifies that termination may be justified in circumstances such as:

- Liquidation of the factory, workshop, or company business operation,
- Cessation of business due to force majeure (unforeseeable events beyond control),
- Death of the employee.

Employers planning permanent business closure or redundancy-based dismissals should ensure compliance with the one-month notice period and severance pay requirements. Although Myanmar law does not provide detailed redundancy procedures, adherence to the SEC provisions and transparent communication with employees can help minimize legal risks and disputes.

## 7. Consultation and Formation Requirements with the Trade Unions

The SEC requires that any workforce reduction or termination of employment be conducted in coordination with the Workplace Coordinating Committee

("WCC"). This requirement aligns with the provisions under the Settlement of Labour Dispute Law.

For businesses with more than 30 employees and where the employer aims to establish collective agreements through negotiation, the employer must adhere to the following:

- (i) If a labour organization (trade union) exists, the employer must form a WCC to engage in collective bargaining, consisting of:
  - Three representatives were nominated by the labour organization(s) to represent the workers.
  - An equal number of employer representatives, ensuring parity between workers and employers on the committee.
- (ii) If no labour organization exists, the employer is still required to form a WCC as follows:
  - Three worker representatives were elected directly by the workforce.
  - Three representatives appointed by the employer.

The WCC serves as the formal platform for internal negotiation, consultation, and dispute resolution between workers and employers. Employers must engage with the WCC on matters affecting employment conditions, including workforce reductions or terminations, ensuring that decisions are communicated and discussed transparently.

## 8. Discussions with the Affected Employees

Discussion with the affected employees is not a mandatory requirement. In common practice, the employer should discuss with the affected employees by showing valid reasons before giving one month's notice in the event of a mass termination. To minimize potential claims or disputes and to uphold good corporate governance, employers should keep all signed acknowledgments from employees confirming these discussions.

## 9. Statutory Minimum Notice Requirements

Under Myanmar labour law and the SEC, the statutory minimum notice period for termination of employment is one month. This applies to termination without cause, including redundancies or permanent business closure.

- The employer must provide at least one month's advance written notice to the employee before the termination takes effect.
- Alternatively, the employer may choose to pay one month's wages in lieu of notice if immediate termination is necessary.

## 10. Notify the Regulatory

The employer is required to inform the following labour authorities:

### (i) **Notify the Factories and General**

#### **Labour Laws Inspection Department**

- **Shop and Establishments:** Under the Shop and Establishments Law and its implementing Rules, employers are required to notify the Factories and General Labour Laws Inspection Department ("**FGLLID**") at least ten days in advance of the permanent closure of their business. This notification must be submitted using the prescribed Notice Form (3), accompanied by a copy of the business license issued by the relevant authorities.
- **Factories:** In accordance with the Factories Act, employers are obligated to provide a one-month advance notice, along with valid reasons, to the FGLLID before permanently closing a factory. If, for any reason, one month's notice cannot be given, the employer is obligated to notify the FGLLID at the earliest possible opportunity.

**(ii) Notify the Social Security Board Office**

According to the Social Security Law, employers must notify the pertinent township Social Security Board office in the event of business closure.

**(iii) Notify the Township Labour Office**

While it is not a statutory requirement, it has become good practice for employers to notify the relevant Township Labour Office when permanently closing their business.

If additional documents are requested by any labour authority, the notification process may be delayed due to the time needed for review and verification. Employers should anticipate potential extensions in processing times to ensure full compliance with regulatory procedures.

**11. Reasonable Timeframe to Implement the Change – from Announcement to Exit**

Myanmar law does not specify a precise timeframe within which an employer must implement workforce changes following an announcement. In the absence of explicit legal provisions, the timing for implementing such changes is generally determined by the employer, taking into account the operational requirements of the business and the individual circumstances of each employee.

However, employers must ensure compliance with the statutory notice period for termination, which requires providing employees with at least one month's advance notice before termination takes effect. This statutory notice effectively sets the minimum timeframe from announcement to employee exit.



## 12. Statutory Payments

The employer must pay prescribed amounts of compensation payable to the employees affected by the employer if the employer's business (whether in whole or in part) needs to be shut down due to an unforeseen event. Ensure all employees are paid any outstanding wages, including accrued unused annual leaves, other agreed benefits, and severance payments as per the calculation below.

Period of service	Severance (Month's salary)
From the completion of 6 months to less than 1 year	½
From the completion of 1 year to less than 2 years	1
From the completion of 2 years to less than 3 years	1½
From the completion of 3 years to less than 4 years	3
From the completion of 4 years to less than 6 years	4
From the completion of 6 years to less than 8 years	5
From the completion of 8 years to less than 10 years	6
From the completion of 10 years to less than 20 years	8
From the completion of 20 years to less than 25 years	10
From the completion of and more than 25 years	13

## 13. Enter into the Mutual Termination Agreement

A Mutual Termination Agreement ("**MTA**") is not a mandatory requirement under Myanmar labour law. However, to reduce the risk of potential claims or disputes and to uphold good corporate governance, employers and employees may choose to enter into an MTA. This agreement typically includes a statement of mutual release and detailed indemnification provisions, providing clarity and finality to the termination process.

## 14. Time Period Employees Should Be Given to Consider the MTA

Myanmar labour law does not specify a timeframe for employees to consider an MTA. A reasonable period of 3-7 days is generally sufficient for employees to review the agreement and make an informed decision. Providing this consideration period helps fairness and transparency in the termination process, reduce potential disputes, and supports good corporate governance.

## 15. Potential Legal Risks for Closure of the Business

One of the key legal risks associated with terminating employment contracts in Myanmar is the potential for dispute claims by employees who may allege that they were unfairly dismissed. Although Myanmar law does not explicitly recognize the legal concept of "unfair dismissal," the Settlement of Labour Dispute Law provides a formal mechanism through which employees may raise termination-related grievances.

Employees may submit complaints to the relevant dispute settlement bodies. If unsatisfied with the outcome, they may escalate the matter by filing a claim before the court. The law defines a "dispute" to include disagreements related to termination, working conditions, and claims for compensation or allowances.

Termination on the grounds of redundancy does not typically pose legal risk if the following conditions are met:

- The reason for redundancy is legitimate and supported by objective business rationale;
- The statutory notice period is properly observed; and
- The required severance payments are duly paid in accordance with the law or applicable employment contract.

However, if the business closure is not managed in compliance with relevant laws,

regulations, and MoL procedures, affected employees may have grounds to file legal claims or initiate strikes. To mitigate such risks, employers should ensure full compliance with all procedural steps required for lawful business closure.

## 16. Conclusion

Myanmar labour laws do not provide a detailed framework for redundancy or business closure. Despite this, employers hold several important responsibilities to ensure the process is conducted fairly and in accordance with existing labour regulations.

Key obligations include providing statutory notice to employees, fulfilling severance payment requirements, coordinating with workplace committees such as the WCC, and notifying relevant labour authorities. These steps help maintain transparency and uphold employee rights during a challenging time.

Additionally, employers are encouraged to consider mutual termination agreements and maintain clear, open communication with affected employees. Such practices not only reduce the risk of disputes but also demonstrate good corporate governance.

By adhering to these requirements and documenting each stage carefully, employers can manage business closure responsibly and in line with Myanmar's labour standards and minimizing legal risks for all parties involved.

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