

LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

LEGAL FRAMEWORK FOR INGOS TERMINATING LABOUR CONTRACTS

1. Legal basis for the employer's obligation to pay compensation when terminating an employment relationship

The legal basis for the employer's obligation to pay compensation when terminating an employment relationship is section 5 (d) Employment and Skill Development Law ([Burmese original/unofficial English translation](#)) from 2013 and Ministry of Labour, Employment and Social Security Notification 84/2015 ([Burmese original/unofficial English translation](#)).

Section 5 (d) Employment and Skill Development Law states:

"The Ministry shall issue a notification requiring the employer to pay the specified compensation to the worker in cases where the operations are completed earlier than the period specified in the employment contract, where the entire operations or part of the operations had to be terminated due to unforeseen circumstances, or where it is necessary to terminate the job for various reasons."

Notification 84/2015 specifies the amount of the compensation as multiples of the monthly basic salary depending on the length of service.

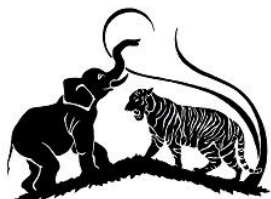
Both section 5 (d) and Notification 84/2015 codify longstanding administrative practice that had been in place for a long time prior to the enactment of section 5 (d) and the issuance of the notification.

2. Administrative practice concerning the non-renewal of fixed-term labour contracts

Apart from section 5 (d) and Notification 84/2015, written labour laws are silent on contract renewal, resignation, termination and dismissal. However, labour authorities (Township Labour Offices, the Factories and General Labour Laws Inspection Departments, the Regional/State Arbitration Bodies and the Arbitration Council) have developed administrative practice that guides the process.

This administrative practice is reflected in

- the labour contract template issued in 2015 ([unofficial English translation](#)/the Burmese original seems to have disappeared from the internet) by the Ministry of Labour, Employment and Social Security, and
- the labour contract template issued in 2017 ([Burmese original/unofficial English translation](#)) by the Ministry of Labour, Immigration and Population.



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The 2017 template replaces the 2015 template. We understand, however, that administrative practice has not changed.

The labour authorities are of the opinion that it amounts to a termination on the part of the employer if the employer does not renew a fixed-term contract. This is (somewhat) alluded to in clause 15 (a) of the 2015 template which states that the “contract can be terminated for [...] expiration of contract” (instead of stating that the “contract is automatically terminated when it expires”), and in clause 5 (b) of the 2017 template which states that the “employer shall not refuse renewal without sufficient reason”.

The background seems to be that almost all labour contracts in Myanmar are fixed-term contracts (the templates, whose use is compulsory for employers with more than 5 employees, are for a fixed-term contract). Employees would therefore almost never get any severance pay if the employer could simply walk away from a fixed-term contract upon expiry.

Consequently, the employer must, if he does not want to renew a fixed-term contract, (i) give 1 month notice or pay 1 month salary instead, and (ii) pay compensation according to Notification 84/2015.

At our labour law seminar on 20 February 2025, a participant remarked that in limited circumstances, it might be possible for an employer to refrain from renewing a fixed-term contract without paying compensation, if it was clear that the employer had no intention of circumventing his general obligation to renew a fixed-term contract. The participant gave as examples workers who were specifically hired for a single construction project that has ended with no new construction project in sight, and workers hired once a year to help with the harvest. We have not yet verified with the labour authorities whether this is correct.

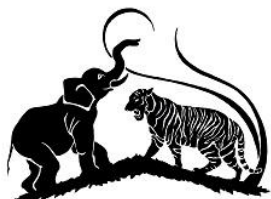
However, generally speaking, an employer must pay compensation when he does not renew a fixed-term contract. Not having to pay compensation would be a (rare) exception.

3. Payment obligations if the employer terminates the contract or fails to renew it

If your organisation wishes to terminate a fixed-term contract prior to its expiry, it must (i) give 1 month notice or pay the basic salary for 1 month instead (this is also based on administrative practice and not on written law), and (ii) pay compensation according to Notification 84/2015.

If your organisation does not wish to renew a fixed-term contract upon its expiry, it must (i) notify the employee 1 month prior to contract expiry or pay the basic salary for 1 month instead, and (ii) pay compensation according to Notification 84/2015.

The amount of the compensation according to Notification 84/2015 is as follows:



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Length of service	Compensation
From 6 months to less than 1 year	Basic salary for 1/2 month
From 1 year to less than 2 years	Basic salary for 1 month
From 2 years to less than 3 years	Basic salary for 1 1/2 months
From 3 years to less than 4 years	Basic salary for 3 months
From 4 years to less than 6 years	Basic salary for 4 months
From 6 years to less than 8 years	Basic salary for 5 months
From 8 years to less than 10 years	Basic salary for 6 months
From 10 years to less than 20 years	Basic salary for 8 months
From 20 years to less than 25 years	Basic salary for 10 months
25 years or more	Basic salary for 13 months

The “length of service” is the aggregate of all contract renewals, as clause 5 (d) labour contract template states that the employer must count the consecutive years of service from the day on which the worker first entered the factory, workshop, workplace, company, or business to work.

The “basic salary” is the last basic salary (not the average basic salary over the length of service).

The compensation is not subject to income tax as it does not fit the definition of “salary” and is also not covered by any other head of income.

Some donors require that the compensation is paid at the end of the project. This is an issue if the organisation wishes to keep the staff for a longer period for other projects. Myanmar’s labour laws do not have a good solution for this situation as they only provide for paying out compensation at the end of the employment and not for payments over time during the employment. If donors require that the compensation is paid at the end of the project, your organisation must therefore (i) terminate the employment, (ii) pay the compensation, and (iii) hire the person anew with a new labour contract if your organisation wishes to retain the person.

4. No severance allowance to be paid if the employee resigns

The employer is not obliged to pay compensation if the employee resigns. This is because section 5 (d) Employment and Skill Development Law obliges an employer to pay compensation only in cases where the loss of employment is due to an act by the employer. Furthermore, the labour contract templates do not refer to compensation in their resignation clauses.

5. No severance allowance to be paid if the employee is being dismissed for cause

Clause 15 (b) (2) of the labour contract template 2017 explicitly allows an employer to dismiss an employee “without any payment” for an ordinary violation if he got a first written warning, a second



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written warning, signed an undertaking as a third warning and violated the terms again during 12 months after the third warning.

Furthermore, clause 13 (b) somewhat cryptically alludes to “serious violations” which according to established administrative practice allow an employer to dismiss the employee on the spot without warning and without compensation.

6. Cancellation by mutual agreement

Clause 18 of the labour contract template 2017 specifically allows the parties to cancel the labour contract prior to its expiry by mutual agreement. In line with section 10 Contract Act 1872 ([English](#)), which empowers the parties to a contract to agree to whatever they like if the contract is for a lawful consideration and with a lawful object and not expressly declared void, the employer and the employee may cancel the labour contract, or opt not to renew it, on whatever terms they may deem fit (e.g., with payment of a reduced compensation or no compensation at all).

(This information is up-to-date as of 1 March 2025.)