

When can an employee receive an allowance for a job loss?



Employees might be entitled to job-loss allowance or severance allowance after the stop working at an enterprise. The payment of these benefits varies, depending on the circumstances and reasons why the employee retired or stopped working.

Severance allowance is defined as the benefit paid to employees when the labour contract is terminated because it expired or it was agreed to by the parties, or in other cases as regulated by law; on the other hand, employees can enjoy job-loss allowance when enterprise restructuring, merger, separation, division, etc., are the reasons for the loss of their job.

An allowance for job loss is paid to employees by the employer in the following cases: (1) enterprise restructuring, technological changes, or economic reasons; (2) merger, consolidation, separation, or division of the enterprise.

In the case changes in structure, technology, or economic reasons lead to the risk of unemployment to many workers, the enterprise is responsible for implementing labour utilisation plan after discussion with the local representative organisation of the employees and upon a 30-day prior notice to the provincial labour authority. Additionally, a detailed list of dismissed employees must be included in the labour utilisation plan.

In case of merger, consolidation, separation, and division of the enterprise, the succeeding employer must comply with the labour utilisation plan if the existing workforce cannot be fully employed, and are dismissed from work.

As for the aforementioned cases, the employer must pay a job-loss allowance when dismissing an employee based on his or her working term at the enterprise. Specifically, such allowance is equivalent to one month's wage subsidy for each working year (however, it must not be lower than two months' wages in any case).

Therefore, enterprises need to reasonably and effectively elaborate and carry out labour utilisation plans to guarantee the best compliance with the law.

If they are unable to continue to employ the existing workforce, it is necessary to rightfully pay job-loss allowances to the employees in accordance with the law.