



2021 Severance Policies and Practices Survey Report

SAMPLE Output

April 2021

Sample list of tables provided in the report

Introduction

- About the survey
- Participant list
- Statistical methodology

Statutory Regulations by Country

Business Outlook and Headcount Planning

Individual Dismissal - Plan Availability and Eligibility

- Prevalence of policies
- Policies above minimum requirement
- Rationale of termination benefits
- Criteria used for severance payment
- Definition of years of service
- Compensation elements and final salary
- Severance pay formula
- Minimum and maximum limit
- Notice policy
- Form of payment

Collective Dismissal - Plan Availability and Eligibility

- Prevalence of policies
- Policies above minimum requirement
- Rationale of termination benefits
- Criteria used for severance payment
- Definition of years of service
- Compensation elements and final salary
- Severance pay formula
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- Form of payment

Other Package Elements and Provision

- Unpaid bonus and sales commissions
- Untaken annual leave
- Extension of medical benefits and insurance
- Outplacement support

Treatment of Unvested Equity

- Long term incentives

Note: Not all tables appear in all countries

Severance payment calculation

Overview

The Labor Contract Law stipulates the circumstances under which employees may be properly dismissed, and sets forth the procedural requirements for dismissals. The termination of employees is a sensitive issue, particularly in light of the State's concern that the restructuring of organizations may create a significant amount of unemployment. Consequently, organizations intending to terminate employees may face considerable pressure to minimize the number of terminations.

The Labor Contract Law entitles employees with 10 or more years of service, or employed under two consecutive fixed-term contracts, to employment for an indefinite term. The dismissal of employees with open-ended contracts is generally quite difficult.

Termination Indemnity/Severance Payment

Organizations are required to provide severance payments to dismissed employees as specified by national and local law, or to employees whose fixed-term contracts they choose not to renew. In the latter case, only severance for service from 20xx onwards is payable.

No severance payment is payable if an employee is dismissed during the probationary period for failing to meet the employer's employment standards, is dismissed without notice, or resigns for personal reasons.

For service since January 20xx, the amount of severance due is equal to one month's salary (capped at three times the city (or province) average earnings) for each year of service up to 12 years. Periods of six months or more are rounded up to a full year. The entitlement for periods of service fewer than six months is one half-month's pay.

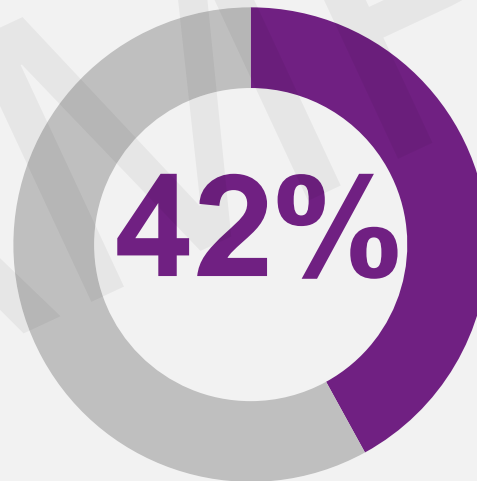
Severance payable for service before 20xx is dependent on prior national and local regulations. Many of these regulations express severance entitlements as being one-twelfth of an employee's average monthly pay for the previous 12 months (inclusive of any commissions, bonuses and allowances) per year of service, rounded up to the next whole year. Employers are advised to check local regulations to determine severance due for pre-20xx service. Severance pay for pre-20xx service is not required if an employer chooses not to renew an employee's fixed-term contract.

Note: Not all tables appear in all countries

42% of organizations provide termination benefits in excess of the legal minimum requirements.



Does your organization provide termination benefits (severance, notice or other benefits and payments) in excess of legal minimum requirements?



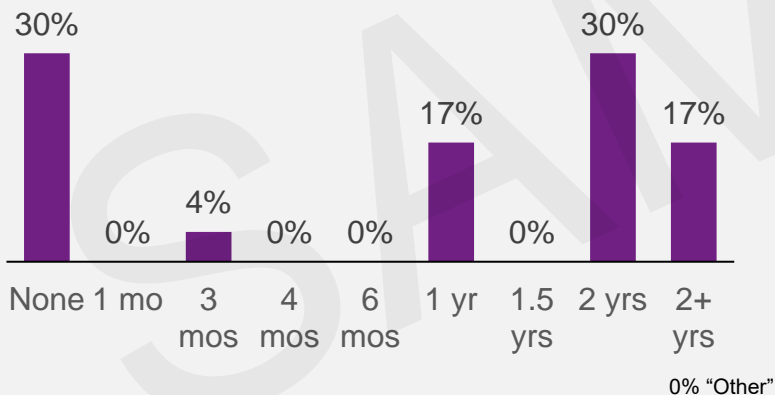
■ Yes ■ No

Source: 2021 Severance Policies and Practices Survey, Sample Report
Note: Not all tables appear in all countries

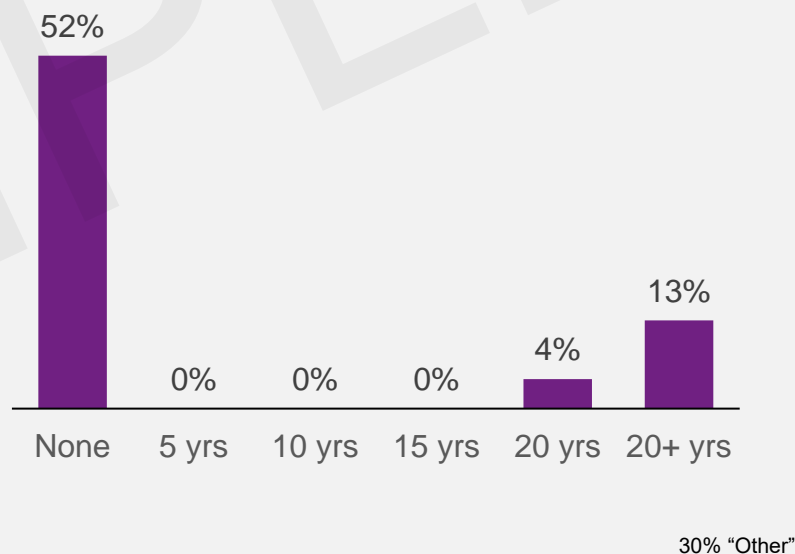
Over 30% of organizations do not have a minimum service requirement to be eligible for severance pay and cap on service for severance pay calculation.

86% Of organizations use years of service to determine redundancy/severance payments for individual terminations.

Minimum service required to be eligible for severance pay*:



Cap on service for severance pay calculation*:

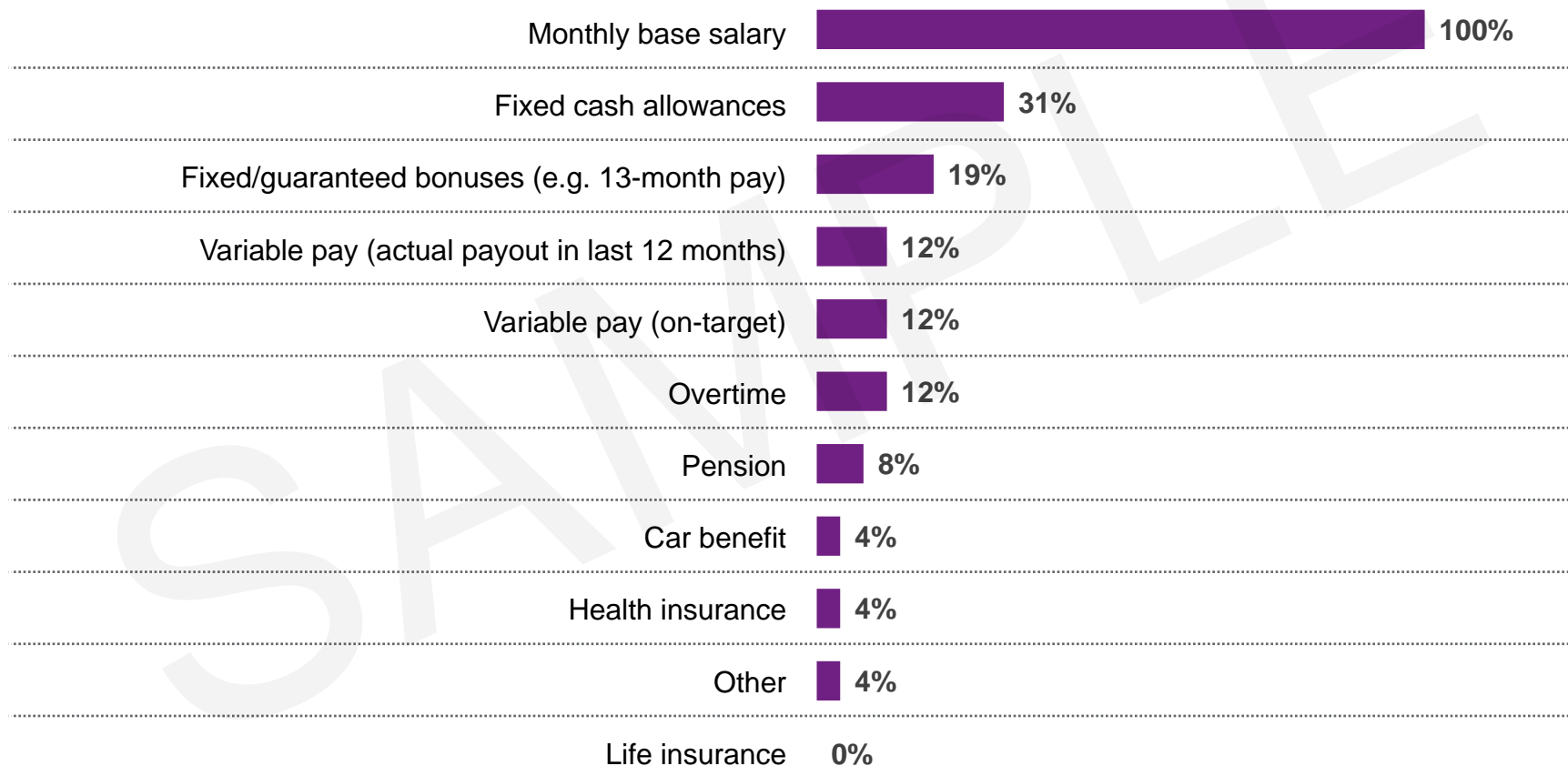


N<25, *Sample: organizations who use years of service to determine redundancy/severance payments for individual terminations

Note: Not all tables appear in all countries

Majority of organizations include monthly base salary, fixed cash allowances and bonuses in severance payment calculation.

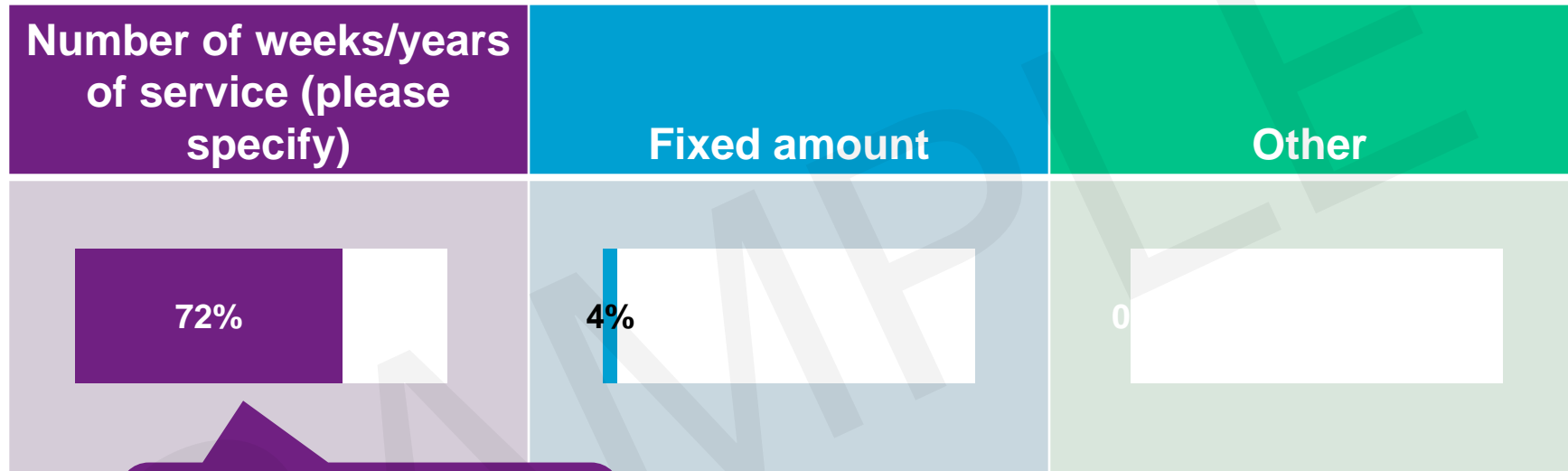
What compensation elements are included in redundancy / severance payment calculation? (check all that apply)



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Almost 25% of organizations do not have a severance payment formula.

Severance payment formula

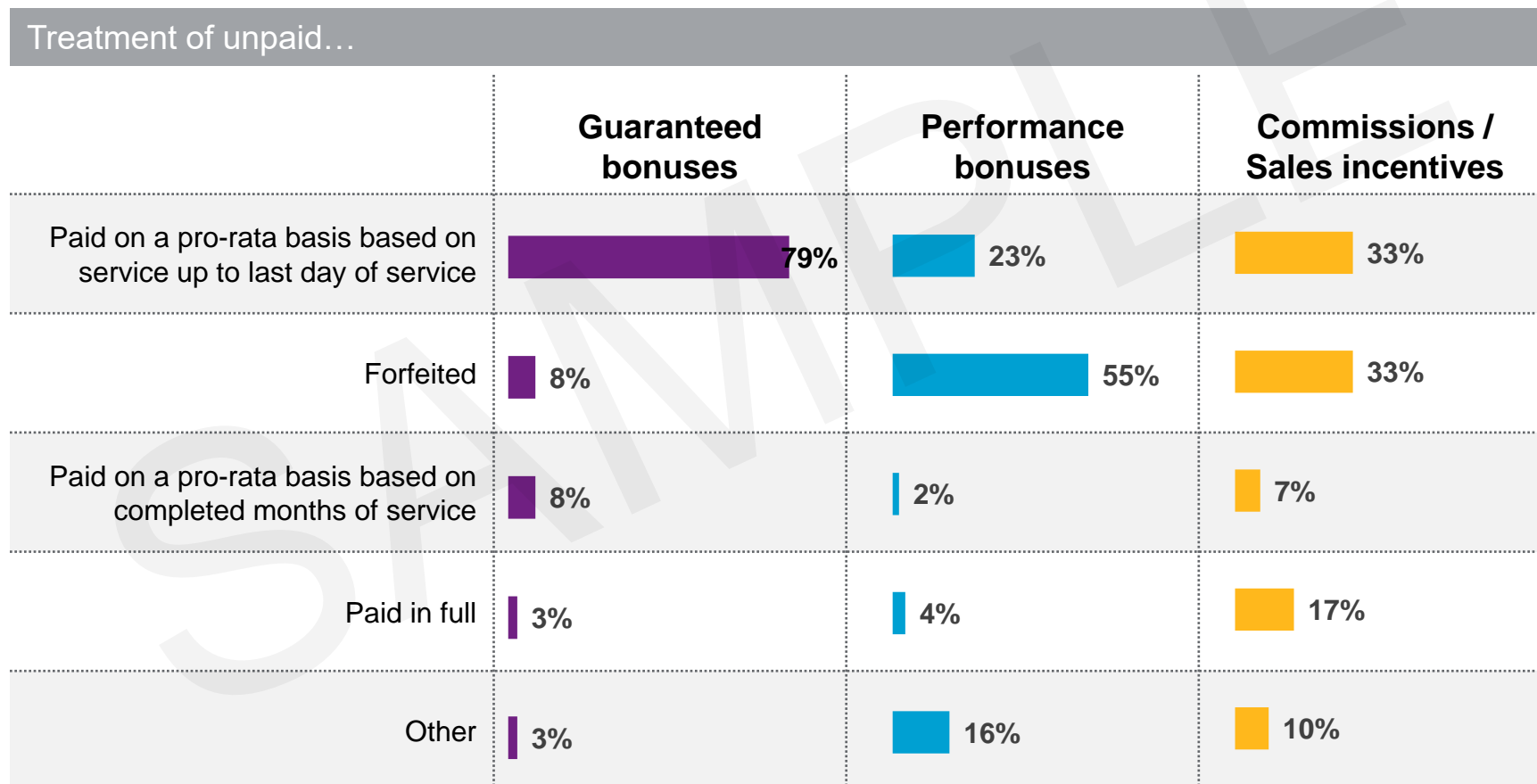


Median weeks pay per year of service: **4.0**

24% of organizations do not have a severance payment formula

Note: Not all tables appear in all countries

Unpaid guaranteed bonuses is paid on a pro-rata basis while performance bonuses are forfeited and commissions/sales incentives are typically paid on a pro-rata basis based last day of service or forfeited.



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