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## **LEGAL NEWSLETTER - WAGE REDUCTION**

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The current Covid-19 pandemic has severe impacts upon business operators globally. This has resulted in many industries having to shut down their operations temporarily or for good as there are not sufficient purchasing orders or customers to continue running their businesses.

Many are planning to reduce their cost and one option, among others, is to reduce the employee's salary. Before lowering the wage of any employee in Thailand, the employer should note the following:

1. Under the Labour Relations Act B.E. 2518 (1975) ("**LRA**"), a place of business having 20 or more employees must establish an agreement relating to employment condition, that is

sometimes referred to as a collective bargaining agreement ("**CBA**") which shall contain at least conditions of employment or work, specified working days and hours, wages, welfare, termination of employment, submission of petitions by employees, an amendment to or renewal of the CBA.

2. As the wage is considered part of the CBA, the wage reduction is required to comply with the LRA which the LRA provides different measurements when amending the CBA depending on its type.

3. According to precedents of the Thai Supreme Court's judgement, the CBA under Thai employment law is divided mainly into two following categories:

- (1) The CBA established from a demand under the LRA ("**Demanding CBA**"), such as the CBA

agreed from the request and negotiation between representatives of the employer and the employees, or with the assistance of the labour dispute conciliation officials); and

(2) The CBA not established from a demand under the LRA (“**Non-Demanding CBA**”), such as the employer’s work regulations and the employment agreement).

4. The amendment to the Demanding CBA cannot be agreed upon freely between the employer and the employee, unless (i) the amendment is more favourable to the employee; or (ii) the party aiming for such amendment follows the labour relations procedure as required under the LRA.

5. On the contrary, for the Non-Demanding CBA, the employer and the employee could still agree to amend it, even though the amendment is not more favourable to the employee, provided that the employee’s consent (preferably in writing) is obtained.

6. This means that, for the Non-Demanding CBA, the salary reduction is applicable so long as the employer has obtained consent from each employee.

In practice, the employer should explain the current financial situation to the employees and ask for their consent for a wage reduction to help the business survives through this crisis. It is essential to note that the wage reduction will be binding upon only the employee who provides his/her consent to the wage reduction.

## **Legal Concept Ltd.**



Pattama is a mother of two who is a corporation lawyer with almost two decades years of experience across a wide range of corporate and commercial transactions, including M&A, foreign direct investment, intellectual property, technology, data privacy and employment. Pattama advises clients in a broad range of industries including financial services, technology, telecommunication, education, airlines, manufacturing and importing industries.