

# NEWSLETTER

C & A

LABOUR LAW & ASSOCIATES



## Retrenchment

### Examples of when you may need to retrench

- Your business is doing badly and you can't afford to keep on so many employees.
- Your shareholders insist that you must cut costs and show better profit.
- You, can with a reasonable investment in new technology or by acquiring a new machine, operate with fewer staff and make more money.
- You can, with a reasonable investment in new technology and a reduction in your workforce, make more money in the medium and longer term.
- You have lost a major customer and with the reduced business you can't afford to keep on your full workforce.
- One division of your business or product line is not doing well enough and you want to close it down, which will mean you don't have jobs for the staff who work in that area of the business.

### Is a retrenchment like any other dismissal or are there differences?

At a basic level a retrenchment is just like any other dismissal. You have to have a **fair** and **valid reason** to retrench and you have to follow a fair procedure (Section 188 of the LRA). If you get both right your retrenchment will be substantively and procedurally fair.

### Severance pay – What are your obligations?

You are obliged by law to pay at least the prescribed minimum amount of severance pay.



- ✓ The statutory minimum is one week's remuneration for every year completed of continuous service (Section 41 of the Basic Conditions of Employment Act)



If you have any queries or need advice, please don't hesitate to contact us:

☎: 011 391 8671

E-mail: [calabourlaw@vodamail.co.za](mailto:calabourlaw@vodamail.co.za)

Website: [www.cagroup.co.za](http://www.cagroup.co.za)

Regards  
The C&A TEAM