

Understanding and Managing Retrenchment

The engaging of the retrenchment process can be a very uncomfortable exercise for employers, but on the other hand a heart-breaking moment for affected employees. The completion of the process is basically for the purpose of terminating the employment of workers. Retrenchment is basically a plan of action implemented by employers including government, said to be aimed at reducing both administration and operational costs.

In some cases the need to reduce administrative and operational costs may be valid. Alternately, the decision to retrench workers may be for the sole purpose of making larger profits. In short, greed might be the factor that drives the decision to retrenchment employees. While this statement may be challenged it can be defended by the evidence of that, even in recessionary times, some companies and corporations continue to publicly declare large profits, and are able to pay dividends to shareholders.

The shedding of labour is seemingly targeted as the way to resolve the expenditure problem of private sector enterprises and that of government. For some unknown reason, there seems to be an obsession with pursuing the option of cutting the payment of wages and salaries. Strangely enough, the casualties of this exercise are rarely the top management employees, who receive granular salaries, benefits and incentives. Instead, it is usually the middle and lower income workers, including middle management personnel, who are axed.

In moving to retrench workers, employers have three available options open to them. These are: Involuntary Separation, Voluntary Separation and Mutual Separation. It would appear that involuntary separation is the preferred practice. Since employees don't have any say in the decision making, the employer has the latitude to act. They are limited only by the fact that they are required to have a sound reason for their action, to give reasonable notice of intended retrenchment and to comply with the law in meeting the compensation to be paid to employees.

The greatest fear that workers have when the retrenchment exercise is engaged, is whether the process is transparent, fair and free of discrimination. The only way to ensure this would be to have consultation with the staff and their trade union representative. The whole purpose of the consultation would be to share information. The following of this process is certainly the best way to earn the respect and win the confidence of the workers and their representative body in the management of the process. Any management which chooses the option to remain disengaged, remain silent and act arbitrary should be ashamed of itself. Such insensitivity removes the management from identifying with the feelings of human beings like themselves. The folly of such behaviour is often recognized when the shoe is on the other foot.

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There is the understanding that the employer reserves the right to retrench workers. There is no law which prohibits this from happening. The concern for workers and trade unions is the manner in which the process is completed. Best practice would dictate that the process should start with the employer providing reasons and adequate notice of the date for the intended retrenchment of employees. Adequate notice does not mean seventy-two hours or less, nor same day notice. Employers should not be insensitive to the fact that workers have to plan their lives and meet family obligations and financial commitments, in like manner that the business has to its shareholders, clients, suppliers and creditors.

It is expected that any caring employer would undertake to ensure that these basic rights of employees are acknowledged and respected in the execution of a retrenchment exercise. With this being the case, the employer should undertake to meet the obligation of paying the requisite compensation to employees in accordance with the law as it applies within the jurisdiction. Basically, these **are** severance payment, vacation leave paid and any other financial benefits associated with the monthly emoluments are to be paid. Though the employer has the unconditional right to retrench employees, they have an obligation to respect the employees' right to challenge the retrenchment process, if they are satisfied that there is evidence to suggest that unfair labour practices are being observed.

Whenever retrenchment is contemplated, it is advisable that employers commit to acting in good faith and to a transparent exercise. Acting in good faith starts with reasonable notification being given to all employees of the intention to enter a retrenchment programme, and to offer reasons for the move. A transparent process would entail an outline of the selection process and procedures to be followed in the finalization of the retrenchment exercise.

Employees who receive a letter of job appointment are given a sense of job security. Temporary and non-appointed employees have good reason to believe that for them, the possibility of retrenchment is always there. Though appointed workers are less fearful of being retrenched, they should be conscious of the fact that this possibility exists; with this taking effect where a post has been abolished. It is in such an instance that voluntary or mutual separation becomes an option, where the employee and employer through agreement, arrive at a separation package.