***Insert Company Name***

Delete this box and insert company logo

**Retrenchment Management Procedure**

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| ***General Instructions***   1. *Insert company logo in the header* 2. *Insert company name where indicated (“[insert company name]”)* 3. *Consider the guidance / follow the instructions given in the instruction boxes.* 4. *Review the Retrenchment Management Procedure and customise accordingly, if required* 5. *Delete the instruction boxes throughout when the document is completed, including this box* |

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| **Document No.:** | XX |
| **Type of Document:** | Procedure |

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| **Version No.** | **Issue Date** | **REVIEWED by (Team Members)** | **Reviewed by**  **(Relevant Manager)** | **Approved** | **Signature** |
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**Amendments**

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| *Instruction Box – Delete when complete*  General Instructions for Customisation and Compliance |
| This document provides a template, with instructions, for the preparation of a Retrenchment Management Procedure for your operation. The Retrenchment Management Procedure, when complete, will describe the steps to be taken for conducting a retrenchment process in line with legal requirements and good international industry practice.  A Retrenchment Management Procedure should be developed and implemented to provide a structured and fair process for managing workforce reductions, typically due to economic pressures, organisational restructuring, or changes in business strategy.  If retrenchment becomes unavoidable, it is important to ensure that the process is conducted transparently, fairly, and in full compliance with applicable laws and regulations. When drafting a Retrenchment Management Procedure, ensure that it aligns with international standards and best practices. The Retrenchment Management Procedure should include the following key elements:   * Defining the purpose and scope of the Retrenchment Management Procedure: Provide an overview of the retrenchment process and ensure it aligns with legal and ethical standards. * Retrenchment Management Procedure Objectives: Outlining the goals of the Retrenchment Management Procedure, emphasizing fairness, transparency, and compliance with legal requirements. * Legal Compliance: Detailing adherence to relevant laws and regulations, including International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability, International Labor Organisation (ILO) conventions, and applicable local labor laws. Ensure the Retrenchment Management Procedure meets all legal obligations regarding notice periods, severance payments, and other entitlements. * Criteria for Retrenchment: Establishing objective and transparent criteria for determining which positions or employees are subject to retrenchment. Ensure the Retrenchment Management Procedure explains how the company will avoid discrimination and bias. * Consultation and Communication: Describing procedures for consulting with employees, their representatives, and other stakeholders. This would include a process that ensures that clear and timely information is provided about the reasons for retrenchment and explore potential alternatives.   By incorporating these elements, this Retrenchment Management Procedure will effectively address retrenchment in a manner that is fair, transparent, and compliant with relevant standards and regulations.  The Retrenchment Management Procedure should be designed to avoid common pitfalls such as:   * Inadequate Consultation and Communication: Failing to consult employees and stakeholders before retrenchment can create confusion. Implement a consultation process that informs employees about the reasons for retrenchment, selection criteria, explores alternatives, and addresses concerns. * Non-Compliance with Legal Requirements: Neglecting legal requirements for notice periods and severance can lead to disputes. Ensure adherence to all applicable legal obligations. * Insufficient Support and Assistance: Not supporting affected employees can harm morale. Provide counselling, job placement, and retraining services, and communicate these resources clearly. * Inconsistent Implementation: Discrepancies between policy and practice can lead to perceptions of unfairness. Ensure consistent application of the Retrenchment Management Procedure through regular monitoring. * Inadequate Documentation and Record-Keeping: Poor record-keeping can hinder dispute resolution. Maintain detailed records of decisions and criteria used for retrenchment to ensure transparency and compliance. |

# Purpose and Scope

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| *Instruction Box – Delete when complete*   * *Insert the company name where indicated throughout the document.* * *Describe the purpose of the Retrenchment Management Procedure and ensure it aligns with the company's operational requirements and legal obligations under the IFC PS2 Labor and Working Conditions and ILO regulations.* * *Insert text indicating the extent of the application of the Retrenchment Management Process and to whom it applies to.* * *In addition, Annexure A has been included to offer guidance on how to develop a retrenchment plan and Annexure B offers guidance on the consultation process.* * *The section below is generic. Review and modify as required for your company. If the company chooses to exclude certain parties from this Procedure, remove those references from the text. For instance, if the Retrenchment Management Procedure does not apply to interns or consultants, modify the text accordingly to reflect this exclusion.* |

This Retrenchment Management Procedure provides a structured approach to the fair and equitable termination of employees due to operational requirements. It outlines clear procedural guidelines for such terminations and ensures that the criteria for termination are applied fairly and consistently. A key component of this procedure is the development of a detailed Retrenchment Plan, guided by the included Retrenchment Plan template, which ensures that all retrenchment processes are transparent, well-documented, and align with best practices. This procedure adheres to IFC Performance Standard 2 (PS2), the United Nations Guiding Principles on Business and Human Rights (UNGPs), and International Labor Organization (ILO) conventions, ensuring that retrenchment practices uphold fairness, transparency, and respect for employees' rights. The Retrenchment Management Procedure aims to achieve the following goals:

* Protect the Interests of both the Group and Employees: Ensure termination actions are taken in a manner that benefits both the organization and its employees;
* Apply Equitable and Consistent Practices: Ensure fair and consistent application of termination practices;
* Adhere to Legal Principles: Comply with all relevant legal requirements; and
* Minimise Employee Hardship: Avoid unnecessary hardship for employees affected by termination.

Additionally, the procedure emphasises the importance of drafting a Retrenchment Plan to guide the process, outlining key steps for identifying affected roles, offering alternatives, and communicating transparently with employees.

This Retrenchment Management Procedure applies to all individuals and groups working with [insert company name], including employees, interns, consultants, partners and any other person performing a task for [insert company name]. This Retrenchment Management Procedure applies to any retrenchment exercise undertaken by the company.

This Retrenchment Management Procedure addresses termination in the following situations:

* Retrenchment: Reduction of the workforce due to organizational needs;
* Redundancy: Elimination of positions that are no longer required; and
* Redeployment: Transfer of employees to alternative roles within the organization.

The company is dedicated to retaining and providing ongoing opportunities for existing employees in alignment with the company’s goals and objectives. This Retrenchment Management Procedure has two distinct objectives: (i) minimising the number of retrenchments, and (ii) ensuring a fair and transparent redundancy process. Additionally, it emphasizes the importance of drafting a detailed Retrenchment Plan (*refer to the attached template),* which will provide clear guidelines on managing the process in a structured, transparent, and equitable manner.

When a position is deemed surplus to requirements, the company will make every effort to offer alternative employment opportunities at a comparable classification level and salary, taking into account the employee’s qualifications and experience. A well-drafted Retrenchment Plan will serve as a framework to guide the process, ensuring that all options are explored and employees are supported throughout.

Understanding that organisational changes resulting in position loss can be stressful for employees, the company is committed to minimising this stress. This includes keeping employees informed, offering personal counselling, and assisting them in presenting their skills effectively for future opportunities.

# Objectives

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| --- |
| *Instruction Box – Delete when complete*   * *Clearly define the objectives of the Retrenchment Management Procedure, emphasizing compliance with IFC PS2, UNGPs and ILO standards. Adjust the text to reflect the company's specific goals and operational needs.* * *The section below is generic. Review and modify as required for your company.* |

The objectives of this Retrenchment Management Procedure are to ensure that retrenchment is conducted fairly, transparently, and in compliance with all relevant laws and regulations. It also aims to minimize the number of retrenchments by considering alternatives as part of the process as well as the impact on employees e.g. how to provide support to affected employees.

# Legal and International Requirements

## National Laws and Regulations

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| --- |
| *Instruction Box – Delete when complete*   * *Review country and local legislation relating to labor regulations in terms of redundancy and/or retrenchment, including the legislation related to the termination of employment and incorporate as may be required into this section.* * *You may wish to consult legal professionals or labor law experts to ensure comprehensive understanding and compliance with specific regulations in your jurisdiction and that it is sufficiently covered in this section of the Retrenchment Management Procedure.* |

The company’s retrenchment process will adhere to applicable labor laws and regulations in each jurisdiction where it operates, including:

* *[List all relevant national laws and regulations]*

## International Standards and Guidelines

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| --- |
| *Instruction Box – Delete when complete*   * *List all relevant international standards and guidelines relating to redundancy and retrenchment. Delete any below that are not applicable.* |

The Retrenchment Management Procedure has been developed to conform to the following international standards and guidelines:

* [International Finance Corporations (IFC) Performance Standards (PS) on Environmental and Social Sustainability (2012)](https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-performance-standards-en.pdf). The most salient PS related to assessing and monitoring labor impacts are listed below:
  + IFC Performance Standard 2 (PS2) – Labor and Working Conditions: Provides guidance on labor practices, including those related to redundancy and retrenchment. It emphasizes fair treatment, non-discrimination, and employee consultation.
* [International Labor Organization (ILO) Guidelines](https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12200:0::NO:::):
  + ILO Convention No. 158 (Termination of Employment Convention, 1982): Provides standards for fair termination of employment and covers various aspects of redundancy, including notice periods, severance pay, and procedural fairness.
  + ILO Recommendation No. 166 (Termination of Employment Recommendation, 1982): Supplements Convention No. 158 with guidelines on the implementation and application of termination of employment practices.
  + ILO Convention No. 81 (Labor Inspection Convention, 1947): Establishes requirements for the inspection of employment practices, including those related to retrenchment and redundancy.
  + ILO Convention No. 122 (Employment Policy Convention, 1964): Encourages governments to adopt policies that promote employment and provide safeguards in cases of redundancy.
* [United Nations Guiding Principles on Business and Human Rights](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf):
  + Principle 15: Addresses the need for businesses to respect human rights, including fair treatment during workforce reductions and retrenchments. It highlights the importance of due diligence in managing human rights impacts.

# Definitions

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| *Instruction Box – Delete when complete*   * *Include a list of definitions of terms used in this Retrenchment Management Procedure. Below are some examples, add or delete as applicable.* |

| **Term/Acronym** | **Definition** |
| --- | --- |
| Retrenchment | The process of reducing the workforce due to business circumstances such as financial constraints, restructuring, or redundancy. It involves the termination of employees' contracts of employment. |
| Redundancy | A situation where a job position is no longer required due to changes in operational needs, technology, or organizational restructuring. Redundancy is a primary reason for retrenchment. |
| Voluntary Retrenchment | A scenario where employees are given the option to voluntarily exit the company during a retrenchment exercise, often with an agreed-upon severance package. |
| Involuntary Retrenchment | The compulsory termination of employment due to redundancy or other business needs, where the employee does not voluntarily leave the company. |
| Severance Package | Compensation provided to employees who are retrenched, which may include payment based on years of service, notice pay, and other agreed-upon benefits. |
| Notice Period | The period of time between the communication of termination and the actual end of employment, during which an employee may still be required to work or be paid in lieu of notice. |
| Consultation | The process of engaging with employees, their representatives, workplace forums, and unions to discuss the reasons for retrenchment, explore alternatives, and address concerns before making any final decisions. |
| Employee Representatives | Individuals or bodies (such as unions or workplace forums) that represent the interests of employees during consultations regarding retrenchment. |
| Alternative Employment | Other job opportunities within the company that may be offered to employees who are at risk of being retrenched, as a means of avoiding termination. |
| Last In, First Out (LIFO): | A commonly used principle in retrenchment decisions where employees with the shortest tenure are the first to be considered for retrenchment, provided all other factors are equal. |
| Employee Assistance Program | A support program provided by the company to assist employees who are affected by retrenchment, including services such as counselling and career transition support. |

# Abbreviations and Acronyms

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| *Instruction Box – Delete when complete*   * *Include a list of abbreviations and acronyms which are referred to in this Retrenchment Management Procedure. Below are some examples, add or delete as applicable.* |

| **Abbreviations and Acronyms** | **Definition** |
| --- | --- |
| EAP | Employee Assistance Program |
| HR | Human Resources |
| IFC | International Finance Corporation |
| ILO | International Labor Organization |
| LILO | Last In, First Out |
| NGO | Non-Government Organisation |
| PS | Performance Standard |
| UNGPs | United Nations Guiding Principles on Business and Human Rights |

# Retrenchment Process

## Retrenchment Process

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| --- |
| *Instruction Box – Delete when complete*   * *Describe the retrenchment process.* * *The section below is generic. Review and modify as required for your company.* |

[Insert Company Name] recognises the importance of providing job security to all employees wherever possible. However, due to commercial reasons or adverse economic conditions and/or financial performance, downsizing may sometimes become necessary.

As part of this process, the company will develop a comprehensive Retrenchment Plan (refer to the attached template) to guide the entire process. This plan will outline all necessary steps, timelines, criteria for selecting affected employees, and support mechanisms for those impacted. The Retrenchment Plan ensures that the process is conducted fairly, transparently, and in line with legal and company-specific requirements.

[Insert Company Name] will first assess the need for retrenchment, ensuring that all possible alternatives, such as natural attrition, internal transfers, and voluntary measures like early retirement or severance, have been thoroughly considered. If the company finds it necessary to engage in downsizing, rationalising, or cost-saving measures that may lead to staff retrenchment, all viable alternatives will be considered to avoid such actions. Retrenchment will be regarded as a last resort.

When contemplating retrenchment, [Insert Company Name] will, as required by law, consult in advance with the relevant workforce representatives, including registered trade unions, workplace forums, individuals appointed under a collective agreement, or employees and their designated representatives.

Before consultations begin, [Insert Company Name] will provide written disclosure of all relevant information, including:

* The reasons for the proposed terminations;
* Alternatives considered before proposing the terminations and reasons for their rejection;
* The number of employees likely to be affected and their job categories;
* The proposed method for selecting employees for termination;
* The anticipated timeline for the terminations;
* The proposed severance packages; and
* The assistance the Company plans to offer employees facing dismissal.

The Retrenchment Plan will ensure that this information is clearly documented and shared transparently with all stakeholders.

Affected employees or their representatives will have the right to make representations on any relevant matters, including reasons why specific individuals should not be retrenched.

Throughout the entire retrenchment process, and following the Retrenchment Plan [Insert Company Name] will:

* Strive to reach a consensus on measures to avoid or minimise dismissals, methods for selecting employees for termination, and the severance packages for those dismissed;
* Offer support services such as counselling, job placement assistance, and severance packages to help employees transition. Time off for job searching will be provided where necessary;
* Execute the retrenchment process in line with the agreed criteria and legal requirements, ensuring that all actions are documented in the Retrenchment Plan and that employees are treated with dignity and respect; and
* Conduct a review following the completion of the retrenchment process to assess its impact on the organization and the remaining workforce. Additional support will be provided as needed to maintain morale and productivity.

## Avoiding Retrenchments

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| *Instruction Box – Delete when complete*   * *Describe the process of considering alternatives to retrenchment and how the company will aim to avoid or reduce the number of retrenchments.* * *The section below is generic. Review and modify as required for your company.* |

As stated above, [Insert Company Name] is committed to retaining employees and minimising the impact of organizational changes on its workforce. Retrenchment will only be considered after exploring and exhausting all possible alternatives. All alternatives considered and approved will be captured in the Retrenchment Plan. Before proceeding with retrenchments or redundancies, the company may consider the following alternatives:

* Allowing natural labor turnover by not replacing employees who resign;
* Freezing recruitment where feasible;
* Discontinuing the employment of contractors, temporary, or casual workers;
* Facilitating internal transfers within the company;
* Offering voluntary severance;
* Providing options for voluntary early retirement;
* Implementing job-sharing arrangements;
* Considering contracting out roles with existing employees;
* Limiting or stopping overtime, wherever possible;
* Offering extended unpaid leave or temporary layoffs; and
* Providing training to equip existing staff for other roles in the company.

## Selection Criteria

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| *Instruction Box – Delete when complete*   * *List the selection criteria for retrenchment. Note, your company should carefully consider the retrenchment process is fair, transparent, and aligned with both legal obligations and organisational needs:* * *The section below is generic. Review and modify as required for your company.* |

When termination of service is unavoidable, the selection process for retrenchment or redundancy will consider the following factors in the specified order of priority:

* Operational needs of the Company;
* Job experience, qualifications, skills, and training; and
* Length of service (with the "last in, first out" principle applied only when all other factors are equal).

The selection criteria for retrenchment will be based on fair and objective standards agreed upon after consultation. Voluntary retrenchment may be considered, provided that essential skills are retained.

[Insert Company Name] will inform employees or their representatives of the selection criteria to be used and will provide a list of the individuals affected.

As per the Retrenchment Plan, once employees have been selected for retrenchment and consulted, they will be given reasonable notice, as practically possible, to allow them to make alternative employment arrangements.

If necessary, employees who are to be retrenched will be granted a reasonable amount of time off to seek alternative employment opportunities.

## Consultation Commitment

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| --- |
| *Instruction Box – Delete when complete*   * *Describe the Consultation Process.* * *The section below is generic. Review and modify as required for your company.* |

[Insert Company Name] is dedicated to conducting any retrenchment process with transparency, fairness, and respect for all involved. We recognise the critical importance of open communication and are fully committed to engaging in meaningful consultation with all affected employees, their representatives, workplace forums, and unions, whichever is most appropriate to the situation.

As part of this commitment, and as highlighted in the applicable completed Retrenchment Plan, we will:

* Provide timely and clear communication to all employees who may be affected by potential retrenchment;
* Consult with employees, their representatives, workplace forums, and unions to discuss the reasons for the retrenchment, explore alternatives, and consider suggestions to minimize the impact;
* Ensure that the consultation process is inclusive and thorough, allowing sufficient time for feedback and negotiation; and
* Consider the needs and concerns of our employees and their representatives, aiming to reach mutually beneficial agreements wherever possible.

This commitment reflects our dedication to treating all employees with dignity and ensuring that any retrenchment process is handled in a fair, transparent, and equitable manner.

## Termination

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| *Instruction Box – Delete when complete*   * *Describe the process for terminating employment.* * *The section below is generic. Review and modify as required for your company.* |

Human Resources will notify employees in writing that their services are to be terminated. Employees whose positions are deemed surplus to the organization’s requirements and for whom suitable internal alternative employment cannot be found will be terminated through involuntary retrenchment. Those who choose to exit the company during a retrenchment exercise will be terminated through voluntary retrenchment.

All employees being retrenched, whether voluntary or involuntary, will be entitled to a severance package as agreed upon during the consultation process. At a minimum, this package will comply with the applicable country’s retrenchment laws, often calculated based on years of service with the company.

The company reserves the right to decide whether employees will work their notice periods. If the company determines that the notice period does not need to be worked, the employee will be paid the notice period as part of the settlement in lieu of working the notice period.

# Support

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| *Instruction Box – Delete when complete*   * *Describe how the company can support the employees retrenched and those remaining, it is recommended that the company implement a support plan to address the needs of both groups.* * *The section below is generic. Review and modify as required for your company.* |

All agreed Retrenchment Support will be captured in the Retrenchment Plan.

[insert Company Name] shall provide the support and reference of Recruitment Agencies partnering with the company to seek new employment.

Employees who are required to work their notice period shall be granted reasonable time off from duty to seek alternative employment.

Human Resources shall provide each employee with a certificate of service, which shall include details of their appointment at the time of retrenchment/redundancy, length of service salary and reason for termination.

Where applicable, [insert Company Name] will provide support by referring employees to recruitment agencies that partner with the company to assist them in seeking new employment. Employees required to work their notice period will be granted reasonable time off to attend job interviews and seek alternative employment. The Human Resources department will issue each retrenched employee a certificate of service, detailing their appointment at the time of retrenchment or redundancy, length of service, salary, and the reason for termination.

To support remaining employees, [insert Company Name] will maintain open lines of communication regarding the reasons for the retrenchments and the company’s future direction. Managers will be trained to provide emotional support and address concerns effectively. Additionally, the company will offer counselling services and stress management programs to help employees cope with the changes. Team-building activities and regular updates will be implemented to foster a positive work environment and maintain morale during the transition period.

# Return of Company Assets

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| *Instruction Box – Delete when complete*   * *Describe the process of how employees should return any assets e.g. computer, uniform etc.* * *The section below is generic. Review and modify as required for your company.* |

At the end of the period of employment, the employee shall return all company property in their possession and for this purpose, a clearance certificate/notice shall be issued by the Line Manager and submitted to the Human Resources Department.

Should it be confirmed that the employee has not returned all goods or has an outstanding loan with [insert Company Name], the payroll department shall deduct what is owed by the employee from the final salary, together with any other valid deductions such as unpaid leave days and taxation.

# Roles and Responsibilities

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| --- |
| *Instruction Box – Delete when complete*   * *Provide the names and positions of the personnel that are responsible for different aspects of the Retrenchment Management Procedure, etc.* * *The section below is generic. Review and modify as required for your company.* |

The key roles and responsibilities for the implementation of this Retrenchment Management Procedure are described in **Table 9‑1***.*

**Table 9‑1: Key Roles and Responsibilities**

| **Role** | **Responsibility** |
| --- | --- |
| **Human Resources (HR) Manager** | * Oversee the overall retrenchment process. * Notify employees in writing. * Issue certificates of service. * Coordinate with payroll for final settlements. * Ensure compliance with legal requirements and company policies. * Approve and support the retrenchment plan. * Communicate the rationale for retrenchments to the organization. * Ensure that remaining employees are informed and supported. |
| **Line Manager** | * Communicate the need for retrenchment to affected employees. * Issue clearance certificates for returned property. * Provide support and counselling to affected employees. * Confirm that all company property has been returned. |
| **Employee Support / Union Representative** | * Accompany the employee to any meetings or discussions related to any grievances. * Offer emotional support and guidance during the process. * Ensure that the employee’s concerns are fully communicated and understood by the company representatives. |
| **Payroll Manager** | * Calculate and process final salary payments. * Deduct amounts for outstanding loans, unpaid leave, and other valid deductions. * Ensure that final settlements comply with legal and company requirements. |
| **Recruitment Agencies** | * Assist retrenched employees in finding new employment. * Provide job search support and career counselling as needed. |
| **Legal Council** | * Review and ensure that the retrenchment process adheres to all relevant laws and regulations. * Advise on legal aspects of the retrenchment process. * Handle any legal disputes that may arise. |
| **Employee Representatives (e.g. unions, worker forums)** | * Represent the interests of affected employees. * Engage in consultations and provide feedback. * Ensure that the retrenchment process is fair and transparent. |
| **Support Services** | * Provide emotional support and counselling to affected and remaining employees. * Assist with stress management and coping strategies. |

# Annex A: How to Develop a Retrenchment Plan

When developing a Retrenchment Plan, companies must ensure the process is transparent, consistent, and aligns with investor standards such as IFC Performance Standard 2 (PS2). A Retrenchment Plan must be developed for each retrenchment process the company undertakes, using the Retrenchment Plan Template and drawing from the guidelines outlined in Sections 6-9. The process begins with a comprehensive analysis of alternatives to avoid or minimize job losses, demonstrating a commitment to fair and ethical business practices.

Once senior management identifies the need for retrenchment, a dedicated team will be established to develop and implement the Retrenchment Plan. Using the Retrenchment Plan Template, the team will create the plan, ensuring it follows the required steps and guidelines. After completion, the plan must be approved by the CEO, CFO, or Board. The plan is then implemented in accordance with the consultation process outlined in Annex B.

The Retrenchment Plan must clearly define criteria for selecting employees for retrenchment and ensure compliance with legal obligations, including timely settlement of outstanding payments such as back pay, social security, and pension contributions. It should also outline severance packages and benefits.

Furthermore, the plan should provide transparent communication with employees and offer support mechanisms like career counselling, job placement services, and retraining opportunities to minimize impacts on affected employees and maintain morale among the remaining workforce.

Regular reviews and updates of the Retrenchment Plan are essential to ensure alignment with evolving legal and investor standards. An effective plan mitigates the negative effects of retrenchment and reflects the company’s commitment to responsible business practices.

|  |
| --- |
| **IFC Performance Standard 2 on retrenchment (PS2.18 & 2.19)** |
| 18. Prior to implementing any collective dismissals, the client will carry out an analysis of alternatives to retrenchment. If the analysis does not identify viable alternatives to retrenchment, a retrenchment plan will be developed and implemented to reduce the adverse impacts of retrenchment on employees. The retrenchment plan will be based on the principle of non-discrimination and will reflect the client’s consultation with employees, their organizations, and, where appropriate, the government, and comply with collective bargaining agreements if they exist. The client will comply with all legal and contractual requirements related to notification of public authorities, and provision of information to, and consultation with employees and their organizations.  19. The client should ensure that all employees receive notice of dismissal and severance payments mandated by law and collective agreements in a timely manner. All outstanding back pay and social security benefits and pension contributions and benefits will be paid (i) on or before termination of the working relationship to the employees, (ii) where appropriate, for the benefit of the employees, or (iii) payment will be made in accordance with a timeline agreed through a collective agreement. Where payments are made for the benefit of employees, employees will be provided with evidence of such payments.  For further guidance, see: [IFC, Good Practice Note: Managing Retrenchment (2005)](https://www.ifc.org/en/insights-reports/2000/publications-gpn-retrenchment) |

Aligning with both local legislation and IFC PS2 when creating a retrenchment plan is important for several reasons:

**Retrenchment Plan Template**

|  |  |
| --- | --- |
| **Responsibility** | |
| Responsibility | *Function, committee, team* |
| Completed by | *Name(s)* |

|  |  |
| --- | --- |
| **Background and rationale** | |
| Business rationale for redundancies and relevant economic context |  |
| Workforce demographics | *Number of men & women employed, by skill level and contract type* |
| Scale of potential redundancy | *Number of men & women to be retrenched, by skill level and contract type* |

|  |  |
| --- | --- |
| **Alternatives to redundancy** | |
| Description of alternative | Feasibility (incl. cost breakdown) |
| e.g. reduction in working hours |  |
| e.g. reduction in use of the outsourced/third-party contractors |  |
| e.g. workforce reduction through natural workforce attrition |  |
| e.g. leave |  |
| e.g. redeployment |  |
| e.g. voluntary retirement |  |
| e.g. job share |  |
| e.g. productivity improvements |  |
| e.g. temporary layoff |  |

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| **Explanation for why redundancies have been chosen instead of alternatives** |
|  |

|  |  |
| --- | --- |
| **Summary of key legal requirements** | |
| Key legislation governing retrenchment or collective dismissals |  |
| Legal definition of retrenchment |  |
| Requirements relating to timing and notification (e.g. state authorities, worker’s organisations, investors) |  |
| Requirements relating to consultation (e.g. with state authorities, and employees’ organisations) |  |
| Requirements relating to redundancy selection criteria |  |
| Requirements relating to severance payments and other benefits |  |
| Other requirements |  |

# Annex B: Guidance on the Consultation Process

Begin consultation with key stakeholders as early as possible. Early engagement enables employees and other stakeholders to contribute to minimizing job losses, identifying alternative economic solutions, and ensuring fair treatment for those selected for redundancy. Once a clear retrenchment proposal is available, the company should initiate the consultation process. This Consultation Plan complements the Retrenchment Plan, ensuring a transparent and collaborative approach and should be developed using the most up-to-date consultation template. To ensure an effective Consultation Plan, the following steps should be followed:

* Ensure the consultation process precedes the final decision: Engage in discussions before any final decisions on retrenchment are made.
* Adopt a joint problem-solving approach: Collaborate with stakeholders to find solutions through consensus during consultations.
* Consult in good faith: The employer must seriously consider all suggestions and disclose relevant information to ensure transparency and fairness.
* Use and update the template regularly: Ensure that the consultation template remains current and is tailored to the specific needs of the retrenchment process.
* Facilitate access to information: Ensure that employee representatives can gather necessary information, meet with the employer, and communicate with employees throughout the process.

The consultation plan should address the following:

*Q: Who to consult?*

This may vary among countries but important groups often include the following:

* Employees’ representatives (or employees, in their absence);
* Employer/ industry associations;
* Buyers;
* Government authorities; and
* Community leaders.

*Q: What consultations are needed?*

The consultations should at least cover these themes:

* Sessions and consultation times with the stakeholders;
* Alternatives to retrenchment;
* Mechanism and selection criteria for employees to be dismissed;
* Dismissal schedule (time frame);
* Payment of severance allowances and other termination payments;
* Criteria and mechanisms for ensuring priority in rehiring dismissed employees if/when the workplace is able to re-hire employees; and
* Support activities to assist affected employees, if any.

*Q: What should be the consultation process (sessions and times) and how should information be released?*

The consultation process should be agreed upon with the key stakeholders. Not all information has to be released at the same time. Good practice encourages a phased release of information and consultation on a scheduled basis, which includes the following:

* Announcement of the need to reduce workforce numbers (should take place reasonably early in the process);
* Consultation and discussion about the alternatives and likely numbers of employees affected;
* Consultation on selection criteria; and
* Announcement of the proposed final numbers and the proposed criteria for dismissal

**Below is an example of a Consultation Plan**

| **Consultation schedule** | | | | |
| --- | --- | --- | --- | --- |
| **Consultation** | **Who** | **When** | **Attendees** | **Agenda discussion topics, and outcomes / action items** |
| 1st Consultation  Either across the company or in two groups:   1. anticipated affected workforce 2. broader group of employees |  |  |  | Business problems (reasons for terminations)  Anticipated affected workforce  Alternatives have been considered  Proposed process (sessions and times) of consultations |
| 2nd Consultation |  |  |  | Analysis of alternatives  Proposed affected workforce  Proposed time frame for dismissals |
| 3rd Consultation |  |  |  | Types and calculation methods of termination payments  Proposed support activities and schedules |
| 4th Consultation  Broader group of employees |  |  |  | The way forward post-retrenchment with survivors |