

*South African Payroll Association  
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***Retrenchment should not be made more painful than it already is***

Hardly a week goes by without a company announcing that it is forced to let some of its staff go, adding them to the growing number of unemployed people in South Africa.

Companies must ensure that this traumatic experience is not exacerbated with hiccups, delays, errors or complications with the process and the calculation of severance payments.

**Follow the right procedures**

Arlene Leggat, president of the South African Payroll Association, says the procedure for retrenchment is clearly set out in the Labour Relations Act.

The Basic Conditions of Employment Act also provides clear guidance on what has to be included when calculating the severance package.

The first step is to consult with employees as soon as the company contemplates a reduction of staff through retrenchments.

However, in many instances the unions feel that as soon as the company starts consulting, they are not “contemplating” anymore, and that they have already made the decision to let people go.

Leggat says companies on the other hand are not too optimistic about these consultations.

The unions simply want to keep all the jobs without finding a solution. “There is often little understanding that if something is not done, everyone can lose their jobs.”

**Communicate openly**

Once the decision to continue with staff reductions has been made, employees must be provided with information relating to the reason for the retrenchments, what alternatives were on the table, why they were not chosen, and what the company is offering those employees who will be let go.

This offering includes the severance package, but it can also include assistance with the updating of curriculum vitae’s, how and where to look for new employment and how to navigate and use social media.

“Pay them as per the agreement and make sure all the tax directives are done. The approach must be that the company is not going to make this hard for anyone in any

way.” Leggat explains that employees are entitled to notice, leave, bonus and severance pay.

### **Years of service**

The act provides that an employer must pay an employee at least one week for every year of completed continuous service.

“It is extremely important to make sure that if the company is acquired by another firm that your contract of employment states that your years of service prior to the take-over will be taken into account.”

There is generally an agreement that the new company will not retrench people for at least one or two years – but once that time comes there will be retrenchments, warns Leggat.

People then find they only have one or two years of completed continuous service.

### **The severance pay**

In order to calculate the value of that one week (it could be more, but it may not be less than one week) the employer must include the employee’s salary or wage, average overtime, shift and standby allowances, as well as travel allowances and commissions.

It must also include the employer’s contribution to benefit schemes such as death, funeral, retirement and medical aid contributions.

“The process does not have to be acrimonious. Engage in a genuinely consultative and transparent manner to find solutions that will work for everyone. It is possible,” says Leggat.

**ENDS**

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