



BetterWork

Managing Transitioning\ Retrenchments



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Organization



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The Covid-19 pandemic, which has already spread to well over 100 countries, has already transformed into an economic and labour market shock. Beyond the urgent concern about the health of workers and their families, the virus is affecting the world of work, including both unemployment and underemployment. These guidelines are designed to help factories confronting these economic challenges to do so in line with applicable laws and internationally accepted good practices.

The retrenchment of workers should be considered as a last resort. Some possible alternatives to job losses include the following:

- ◆ reduction in hours worked by existing workers
- ◆ enforcement of retirement ages: asking workers to take early retirement
- ◆ internal transfers of workers within the enterprise
- ◆ transfer of workers to other entities, e.g., relocating some workers to a sister company or outplacing them to another local employer

Buyers can help to avert the need for retrenchments by:

- ◆ Applying responsible sourcing strategies
- ◆ Actively participating in finding alternatives to job loss
- ◆ Announcing withdrawal or significant reduction of orders well in advance
- ◆ Paying all outstanding invoices in a timely fashion and sticking to contractual agreements

Before proceeding with retrenchment, management should consult with Trade Union or worker representatives to consider and discuss alternatives to retrenchment. Retrenchment should only be implemented after all other alternatives have been ruled exhausted.



Do you need to restructure?

Your factory is downsizing in operations or restructuring the workforce and retrenchment is being considered. Retrenchment is a very important decision that should be based upon full knowledge of all relevant facts and the legal and economic context in which the factory is operating. Reducing the number of workers seems to be the most obvious way to cut costs, however retrenchment itself is also costly. Costs of a retrenchment to your factory may include the following:

- ♦ administrative and legal costs
- ♦ severance payments
- ♦ low morale and productivity among remaining workers
- ♦ recruitment and employment of new hires

Before you decide to retrench your workforce, companies should understand that retrenchment could also cause a number of serious operational problems:

- ♦ During the transition period, workers’ morale is lowered due to fear of losing their jobs, which inevitably results in a decrease in productivity and quality.
- ♦ The process of retrenching can cause a painful realignment of workers and seriously disrupt business operations.
- ♦ Good workers may leave for a more stable work environment.
- ♦ The factory’s reputation may be tarnished by its treatment of its workers.

In addition, retrenchment costs to communities and workers are also significant.

Because of these issues, Better Work strongly recommends that all employers carefully consider all of the retrenchment issues before making a decision to lay off its workforce. **Socially responsible workforce restructuring** is a commitment by employers facing serious business problems to first make changes that enable them to keep their entire workforce rather than thinking about layoffs.

The reasons why employers should adopt employment security and responsible workforce restricting policies include the following:

- ♦ **Laying off workers is costly:** Direct and indirect costs associated with layoffs will often eliminate any gains that a company may make by reducing its workforce. The chart below highlights some of the possible direct and indirect costs of layoffs, subject to national legislations.

DIRECT COSTS	INDIRECT COSTS
Severance pay in lieu of notice	Higher unemployment insurance taxes
Accrued vacation and sick pay	Potential charges of discrimination
Supplemental unemployment benefits	Heightened worker insecurity and reduced productivity
Outplacement	Low morale among remaining employees
Pension and benefit payments	Training and retraining
Administrative and legal costs	Recruitment and employment of new hires



- ◆ **Layoffs have significant operational disadvantages:** Remaining workforce morale is lowered through the fear of also losing their jobs. Rapid turnover and low morale will negatively affect productivity. Good employees may leave for a more stable work environment. The company’s reputation may be tarnished by its treatment of its workforce.
- ◆ Layoffs have negative impact on financial performance: Studies on U.S.-based companies indicate that significant downsizing does not lead to expected savings. In fact, companies that do not resort to severe cutbacks are more successful.
- ◆ **Employers tend to believe a number of myths about the advantages of downsizing:** The following chart compares some of the myths with the facts of retrenchment.

MYTH	FACT
Retrenchment boosts profits	Profitability does not necessarily follow retrenchment
Retrenchment boosts productivity	Productivity results after retrenchment are mixed
Retrenchment is a last resort	Data indicate that retrenchment is the first resort for many companies
Retrenchment has no adverse effects on workforce load, morale, or commitment to a company	In most situations, retrenchment has adverse effects on workload, morale, and workforce commitment
Retrenchment victims suffer no long-term income losses as a result of structural shifts in the economy	Downward mobility is the rule rather than the exception

- ◆ **Employment security creates a climate for change and growth:** Employees protected by employment security willingly support changes made to help the company be more competitive and successful. Employers are encouraged to invest in training and workforce development leading to a more skillful and flexible workforce. Employers are then able to increase production and to service customers more quickly than their competition when the downturn ends.
- ◆ **Employment security promotes productivity:** Productivity is arguably the key reason for adopting employment security. When workers are assured of continued employment, they dedicate themselves to improving the organization and its products. W. Edwards Deming, known as the founder of total quality management principles, noted that employment security creates a bond between workers and employers that ultimately contributes to the success of quality programs. Job security creates loyalty and confidence in management, which reduces resistance to technical changes, lowers workforce turnover, and improves workplace cooperation and relations.

Retrenchment as the only option

Before making a final decision on retrenchment, you should gather information to answer the following questions:

- ◆ What are the workers’ rights and obligations in relation to job loss? Note that the rights and obligations are in terms of not only the content of their contracts of employment and their



entitlement to payments upon retrenchment, but with respect to collective agreements and local and international rules.

- ◆ What are short-term business plans?
- ◆ From what areas and groups of workers will the cuts come?
- ◆ How employable are the workers to be retrenched and what is the job market like for the types of skills they possess?
- ◆ What is the gender and ethnic breakdown of the workers to be retrenched versus those who are to be retained?

The answers to the above questions will help you to envision the available options and to consider alternatives to job losses. This will enable you to maintain employment security at your factory. Listed below are some benefits of adopting employment security policies:

- ◆ Workers are more willing to support changes to make their factory more competitive as they are protected by employment security. All workers concentrate on the factory's success.
- ◆ Workers are more flexible and adaptable because of the factory's training and development efforts.
- ◆ With the cooperation of trusting workers, the factory can realize the full productivity improvement potential of its workforce.

Organizing a retrenchment committee

If retrenchment is seen as the only possible outcome, then the first thing to do is form a committee or task force within the organization to manage the process. The committee should include the following people:

- ◆ factory owners
- ◆ factory manager
- ◆ finance department
- ◆ production department
- ◆ HR personnel department
- ◆ worker/ union representative(s)

The committee's role includes the tasks below:

- ◆ Determine the revised shape of the workforce.
- ◆ Plan in detail the numbers of workers required in each division of the organization and the skills required for each post.
- ◆ Draft a time frame for implementation for each stage of the retrenchment process.
- ◆ Start to develop the selection criteria.
- ◆ Consult key stakeholders during the development and implementation of retrenchment plan.
- ◆ Determine budgets for each course of action.
- ◆ Reach a decision on the appropriate course of action.

Note: If the factory has an existing worker-management committee (e.g. PICC, PC, or LKSB etc.) or other functioning mechanisms for social dialogue, and these include many of the people listed above, then there is no need to form a new retrenchment committee. The existing structures can easily adapt to take on the retrenchment function.

Developing a retrenchment plan



A retrenchment plan should include the following content:

- ♦ brief description of the problems the factory is facing
- ♦ analysis of alternatives to retrenchment that have been considered and why retrenchment is the only remaining option
- ♦ description of the retrenchment plan
- ♦ consultation process
- ♦ selection criteria
- ♦ severance packages
- ♦ remedial measures that the factory will take
- ♦ procedures and implementation schedule

Key stakeholders **must** be involved in this planning process. However, **before** commencing consultations with key stakeholders, the retrenchment committee should formulate a clear proposal for retrenchment. This is to reduce potential harm (bad publicity, financial instability) to the factory and to allow for effective engagement with trade unions and other stakeholders, rather than just preliminary hypothetical conversation.

Preparing Preliminary Information

Information used for decision making at stage 1 should be briefly documented in order to make the problem description and the reasons for the retrenchment clearer.

Analyzing Alternatives

List all alternatives to retrenchment that have been considered, including those initially considered by factory owner or top management and those suggested by other stakeholders during the consultation process. Analyze every alternative, point out pros and cons of each, and verify that retrenchment is the only remaining option.

Describing the Retrenchment

Give a brief description of the retrenchment, which includes the following information:

- ♦ size of the retrenchment with number of workers to be retrenched by skill level, type of contract, gender
- ♦ retrenchment methods
- ♦ retrenchment schedule

Planning for Consultation with Key Stakeholders

Begin consultation with key stakeholders as early as possible. The earlier workers and others know about what is likely to happen, the more they may be able to contribute in terms of avoiding job losses, looking for alternative economic solutions, or ensuring that those selected for redundancy receive fair and equitable treatment. As soon as a clear proposal for retrenchment is available, the factory should commence consultation with key stakeholders. Listed below are key points to ensure effective consultations:

- ♦ Consultation process must precede the final decision.
- ♦ Consultations should be a joint problem-solving exercise where the parties strive for solutions based on consensus.
- ♦ The employer should consult in good faith and seriously consider all proposals put forward. The disclosure of information by the employer on matters relevant to the retrenchment is essential to ensuring the objectivity of the process and avoiding conflict.



- ♦ The consultation process should allow worker representatives to meet and report to workers; meet with the employer; and request, receive, and consider information about the situation at hand.

THE CONSULTATION PLAN SHOULD CLEARLY ADDRESS THE FOLLOWING QUESTIONS.

Who to consult?

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

- ♦ trade unions and worker representatives
- ♦ buyers
- ♦ government authorities
- ♦ community leaders

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 workers to be dismissed
- ♦ dismissal schedule (time frame)
- ♦ payment of severance allowances
- ♦ criteria for rehiring, as applicable
- ♦ support activities to assist affected workers, if any

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
- ♦ announcement of the proposed final numbers and the proposed means of criteria for dismissal
- ♦ consultation on selection criteria

The table below is a suggested consultation plan with key stakeholders.

CONSULTATION SESSION	ISSUES	STAKE-HOLDERS	INFORMATION RELEASED	TIME
1 st Consultation	<ul style="list-style-type: none"> ♦ Alternatives to retrenchment ♦ Agreement with key stakeholders on the consultation sessions and times 	Worker representatives, buyers	<ul style="list-style-type: none"> ♦ Business problems (reasons for terminations) ♦ Alternatives have been considered ♦ Proposed process (sessions and times) of consultations 	Reasonably early in the process



2nd Consultation	<ul style="list-style-type: none"> Proposed final decision (retrenchment) Selection mechanism and criteria for dismissal Time frame for dismissals 	Worker representatives, Government were applicable	<ul style="list-style-type: none"> Results of alternatives analysis Proposed affected workforces: number of workers or categories of workers to be dismissed Proposed time frame for dismissals 	
3rd Consultation	<ul style="list-style-type: none"> Severance payment Support activities to affected workers 	Worker representatives, buyers, government were applicable	<ul style="list-style-type: none"> Final list of affected workers Types and calculation methods of severance allowances Proposed support activities and schedules 	Before officially informing individual workers
4th Consultation	<ul style="list-style-type: none"> Anticipated retrenchment and remedial measures taking 	Communities	<ul style="list-style-type: none"> Summary of business problems and affected workforce Proposed support activities 	After consulting with worker representatives and buyers and making final decision on these issues

Determining Selection Criteria

SUGGESTED SELECTION CRITERIA INCLUDE:

- voluntary measures
- early retirement
- length of service
- skills and qualifications
- implementation of affirmative action policies

Voluntary measures: ask workers to terminate their employment voluntarily in exchange for some benefit (beyond their legally required entitlements).

- Advantages: Speed:** selecting workers for dismissal from a pool of volunteers is faster than selection by other methods.

Less conflict: selection from volunteers will normally be **less damaging to morale** and less likely to lead to disputes than compulsory dismissals.

- Disadvantages: Lack of control** over which workers volunteer, e.g., highly skilled workers may volunteer as they may have confidence in their ability to find a new job. To avoid this scenario, certain groups of workers can be given the option to volunteer, while others are not.

Early retirement: ask for volunteers to take early retirement.

- Advantages:** similar to voluntary measures (speed and reduced conflict), and may provide opportunities for younger workers to advance.
- Disadvantages: loss of skills and experience.** In the garment sector, there are not likely to be many workers near retirement age. In addition, pension costs are accelerated.



Length of service: this is the most commonly used criteria, known as LIFO (Last in First Out), meaning the workers with the least time with the company are the first to be dismissed.

- ♦ Advantages: this is entirely objective.
- ♦ **Disadvantages:** recent hires may have needed skills. To retain these workers, the company should provide clear reasons for exceptions.

Skills and qualifications: retains workers who will contribute most to the business in the future. Determine the necessary skills and qualifications for a post and ensure that the measurement used to select them is reliable.

Ensure non-discrimination when deciding on selection criteria. To avoid discrimination, make sure that the selection criteria will not adversely impact workers based on their

- ♦ sex, including pregnancy and maternity
- ♦ marital status or family responsibilities
- ♦ trade union membership or participation in union activities
- ♦ seeking office, acting or having acted as a workers' representative
- ♦ filing of a complaint or participation in proceedings against the employer
- ♦ race or color
- ♦ national extraction, origin or ethnicity
- ♦ religion
- ♦ political opinion
- ♦ disability
- ♦ age

Criteria should be examined to ensure that when they are applied, they do not have a discriminatory impact. For example, if women would be disproportionately impacted through dismissals based on length of service, the employer could take steps to reduce the proportion of women dismissed using this criterion.

Planning for Severance Pay

Severance payments are key to mitigating the negative effects of retrenchment. Workers are entitled to severance pay in accordance with national law. National labour legislation normally provides for severance pay, which commonly includes:

- ♦ **Statutory or collectively agreed termination benefits/severance payment:** national law or collective agreements normally establish payment of a minimum number of weeks/months' wages in accordance with a worker's length of service.
- ♦ **Notice period or payments in lieu of notice:** workers should be fully compensated during the notice period. If not required to work during this time, workers should be paid the wages they would have earned had they been working.
- ♦ **Gratuity benefits:** these are additional payments that may upon, e.g., retirement or dismissal.
- ♦ **Pension benefits:** were applicable these should be compensated according to national regulations
- ♦ **Unused earned leave:** payment should be made for any holiday leave that has been earned by workers but not taken prior to termination.
- ♦ **Payment of salaries/ wages in arrears:** outstanding salaries/ wages should be paid in full. Deductions for monies owed to the employer are only allowed if provided for under the worker's employment contract and national law, and should be clearly identified.

Severance payments will often vary within a company based on a worker's length of service, wage or salary level, performance, or special hardship payments.

Planning for assisting dismissal workers



When workers are dismissed, finding alternative means to livelihood is essential to cushion the effects of retrenchment on both the individual and the community.

POSSIBLE ASSISTANCE INCLUDES:

Transfer: Where possible, employers can offer workers the possibility to transfer to other factories they own at a comparable wage.

Outplacement assistance. This may include setting up “job banks” to help workers find jobs at nearby factories or within the community; setting up a mechanism to inform workers about job opportunities; and placing paid ads in local media calling on other employers to support the retrenched workers by giving them priority in hiring.

Additional financial support including additional severance, paid time off to look for a job, financial assistance for retraining, or economic support for micro-enterprise projects.

Medical benefits in addition to what is legally required, including additional assistance for pregnant workers and workers with health conditions.

Assistance in obtaining government benefits. This may include educating workers about their rights and coordinating with appropriate local government agencies. For example, government agencies and NGOs could hold information sessions at the factory or at a nearby convenient location to assist workers in filling out forms to obtain governmental assistance and access to government training programs.

Training: consult with trade unions, other stakeholders, and workers themselves to determine what kinds of training would be useful, e.g., vocational training, small business development, basic literacy, and numeracy.

Psychological counseling: employ an independent advisor or a local advice center to listen to the retrenched workers and give advice to them.

Help finding new employment: consult with trade unions and workers to determine what would be useful. Employers likely can use their networks and connections with employer and industry associations to help identify job opportunities.

When the retrenched workers include migrants, governments and employers **must** ensure that migrant workers have adequate housing, health care, and other social support while they remain in country. In addition, migrant workers must be provided with logistical and financial support to return to their countries of origin.

ROLE OF BRANDS AND RETAILERS:

Brands and retailers may consider the following when engaging with their suppliers during this process:

- ◆ Monitor and play a constructive role to ensure that employers meet their obligations
- ◆ Ensure that all outstanding payments for orders placed are honored so that workers are paid for their work
- ◆ Support social dialogue processes and assist key suppliers to do this to ensure that workers and their representatives are consulted throughout the transitioning\ retrenchment processes
- ◆ Play an active role to ensure policy coordination and coherence and promotion national level social protection mechanisms are in place
- ◆ Assist where possible retrenched workers to find new jobs with other suppliers

Managing the dismissal process



Communicating the Retrenchment

Announce the number of dismissals that will take place and the manner in which workers will be selected for dismissal in writing.

Arrange for clarification sessions for workers; make sure they all understand the process and their rights.

Dismissal Selection

Have a clear management procedure and make sure all implementers understand it so that the selection process is transparent and applied accurately and consistently to all workers considered for dismissal.

Severance Payment

Severance payments should not be delayed. Ensure that the worker receives payments on his or her last day of work. However, circumstances (such as when the money is not yet available) may make it necessary to provide the payments in stages over a period of time. If this route is taken, it is important to ensure that workers and their representatives understand what is happening and know when payments will be made. There should be a means for complaint about late payment.

Calculating the appropriate amount of payment for each worker requires accurate information on the salary and wage levels in the company and information about service and other criteria. It is important to ensure that this information is correct and the way in which the payments are calculated is fully transparent to each worker.

Appeals and Grievances

Key elements of an effective appeal or grievance procedure are as follows:

- ◆ The process should be transparent and communicated to workers in writing.
- ◆ All workers should have the right to initiate the procedure.
- ◆ The process should be completed promptly.
- ◆ When possible, a manager other than the one who initiated the dismissal should hear the appeal or grievance.

Appeal hearings must be conducted fairly. It is often useful to have another person in the room in addition to the manager and the worker. The appeal process should involve reviewing the decision to select the individual for retrenchment and verifying how the selection criteria were applied to the worker or reviewing the information used to calculate severance payments. It should also consider any factors that the employee puts forward against his or her selection for dismissal.



Annexes

Annex 1 - Retrenchment Plan

BACKGROUND

Brief description (information or data) of problem necessitating a retrenchment at your company, which may include the following:

- ♦ reduced client orders and production volume, current and for future periods
- ♦ reduction of workforce
- ♦ affected areas or factories

Analysis of alternatives to retrenchment

- ♦ Summary of the analysis of all alternative solutions generated by all stakeholders including the factory owner or top management. The table below can be used to present the information.

ALTERNATIVE	DESCRIPTION OF ALTERNATIVE	ADVANTAGE	DISADVANTAGE

- ♦ Give explanations on why an alternative (retrenchment) is chosen among the suggested solutions.

CONSULTATION SCHEDULE

CONSULTATION SESSION	ISSUES	STAKE-HOLDERS	INFORMATION/ DATA TO BE PREPARED	TIME



SELECTION MECHANISM AND CRITERIA FOR DISMISSAL

MECHANISM	EXPLANATION OF HOW MECHANISM WORKS	CRITERIA	AFFECTED WORKFORCE	DISMISSAL SCHEDULE
1. (Name of mechanism, such as voluntary, length of service, ...)			(Affected areas, and estimated number of affected employees with list of affected workers in a separate document)	(Planned last day of work for affected employees)
2.				

SUPPORT ACTIVITIES FOR DISMISSED WORKERS

ACTIVITY	TIME	CONDUCTED BY	TYPE OF WORKERS TO RECEIVE
Training on new skills for dismissed workers			
Career counseling			
...			

COMMUNICATION PLAN

TO WHOM	TIME	MESSAGE/ CONTENT TO COMMUNICATE	COMMUNICATION METHOD	CONDUCTED/ DELIVERED BY
(Remaining workers, dismissed workers, or other stakeholders)			(Meeting, seminar, official documents, ...)	(Unions should be involved in communicating retrenchment to workers)



Annex 2 - Retrenchment Policy

PURPOSE

The purpose of this policy is to establish the regulations pertaining to retrenchment at the company to ensure the following:

- ♦ Retrenchment decision is non-discriminatory to its workers and eligible severance benefits for affected workers are guaranteed.
- ♦ Retrenchment is carried out in compliance with the law.
- ♦ Retrenchment decision best serves the future requirements of the company.

DEFINITIONS

- ♦ Retrenchment: this can cover a wide range of dismissals that do not essentially relate to the conduct or performance of the workers:
 - ♦ the closure of a plant, factory, or other workplace with a number of job losses
 - ♦ job losses arising from a reduction in staffing requirements due to efficiency gains or falling demand for the company's products
 - ♦ job losses arising from a downsizing in operations or restructuring of the workforce
- ♦ Workers: in this policy, they are all types of employees including office staff, workers, and managers that work for the company.

ELIGIBILITY

This policy is applicable to any workers including office staff, workers, and managers of the company who might be affected by a retrenchment decision.

POLICY

The company will, to the best of its ability, provide continuity of employment to workers within the constraints of organizational and financial circumstances. Circumstances such as reduced workloads or funding may, however, necessitate terminations of employment.

Should a retrenchment become necessary, the company will make it transparent to all workers.

RESPONSIBILITIES

The General Manager is responsible for making decisions on retrenchment and for forming a committee to implement it.

The HR Manager, as assigned, assists the General Manager in establishing the retrenchment plan and joins the retrenchment committee.

PROCEDURE

Making Decisions on Retrenchment

- ♦ Once business conditions necessitate a retrenchment or other alternative measures, the company will provide the workers' representative(s) with related information so that they understand the current business and financial conditions motivating the company to consider retrenchment or alternative measures. The company encourages the workers' representatives to participate in finding solutions to the problem.
- ♦ The company will organize meeting(s) with the worker representatives and managers of potentially affected areas. If possible, the suggested solutions will be reviewed and analyzed during the meeting. Otherwise, the company will seriously analyze the alternatives after the meeting.



- ♦ If possible, the company will consult with other stakeholders, such as government organizations and clients/buyers for other alternative measures. These alternatives will be analyzed together with those suggested by the workers' representatives.
- ♦ The ultimate decision on what course of action should be taken remains with the company. The company will inform the workers' representatives and managers of potentially affected areas about the final solution and why it was selected in writing at least two months before implementation.

Selection of workers to be dismissed

- ♦ Once it has been established that there is no alternative to retrenchment, the company will determine selection criteria for workers who will be dismissed. The company will ensure the selection is transparent, fair, and applied consistently.
- ♦ One or a combination of the following methods will be considered for selecting workers to be dismissed

Voluntary Mechanism

- ♦ The company will decide upon a voluntary gratuity amount (beside the normal severance established by labor laws) to compensate those workers who volunteer to resign from their jobs.
- ♦ The company may decide to open the voluntary mechanism to all workers of the affected workforce or only designate certain groups of workers as eligible to volunteer.
- ♦ The company will ensure that all workers are well informed about the voluntary mechanism, including the gratuity amount.

Length of Service

- ♦ Those workers with the least service in the company are first selected for dismissal.

Worker Qualifications

- ♦ The company will choose to retain those workers whose qualifications will be most suitable to its future business. While using this mechanism, the company will clearly determine qualification criteria and will review workers' performance records or conduct assessments/tests.
- ♦ When deciding on the method and criteria for dismissals, the company will take the workers' interests into account. The method and criteria for dismissals will be consulted with worker representatives and managers of the potentially affected workers.
- ♦ As per the worker representatives' suggestions, if any, the company might consider extra support for some cases of affected workers. Those cases of extra support will be documented and acknowledged by both the company and representative(s).

Time Off for Affected Workers

- ♦ Upon receiving the written notification of dismissal, affected workers will be granted a period of one month's leave with full basic wages paid. This time off is to support affected workers in seeking a new job.

Severance Payments

- ♦ A dismissed worker will be paid a severance allowance package which includes the following:
 - ♦ statutory severance allowance established by labor laws (the aggregate amount of one month's wages for each year of service)
 - ♦ wages paid for untaken annual leave
 - ♦ wages paid for time off
 - ♦ gratuity benefit for voluntary workers (if any)
 - ♦ other allowances if distributed by the company at the time of retrenchment
- ♦ The company will pay the severance allowances on the worker's last day at the latest.



Notification to the Affected Workers

- ♦ The company will work together with the workers' union(s) (if applicable) to clearly communicate the retrenchment to the affected workers.
- ♦ Official communication: the company will officially send written notifications of dismissal to affected workers. The following information will be included in the notifications for the workers' easy review:
 - ♦ reason for retrenchment
 - ♦ selection criteria for dismissal
 - ♦ time off for the affected workers
 - ♦ severance amount and explanation of severance calculation
 - ♦ advice on social insurance benefits paid by the government's social insurance organization
 - ♦ advice on where the worker can receive more information or raise complaints
 - ♦ advice on support from the company, if any

Other Support to Affected Workers

- ♦ To the best of its ability, the company will look for and implement support measures to help dismissed workers find new options for employment. As appropriate, the support measure could include assisting the workers to find information about alternative jobs and opportunities; counseling; or providing training in financial matters or small business development.

Grievance

- ♦ Any worker who is dissatisfied with the company's activities relating to the retrenchment has a right to complaint.
- ♦ The company will ensure that the grievance process is conducted in a fair and transparent manner. Once a grievance is received, the company will review the situation. Within seven days, the company will organize a meeting with the worker who raised the grievance, his or her manager, and a worker representative. The meeting minutes will be recorded and kept by all the participants.

Recall Policy

- ♦ Once the company recovers and can hire new workers, the company will give priority to the retrenched workers with comparable qualifications.



Annex 3 - Legal Requirements

Things to consider:

- ◆ Is the factory/ sector covered by a collective agreement and if so, what are the provisions with respect to collective dismissals/ retrenchment?
- ◆ Is governmental permission required to proceed?
- ◆ What are the requirements for consultation with trade unions or other worker representatives over retrenchment and downsizing?
- ◆ Is voluntary severance/early retirement a possible legal alternative?
- ◆ How are minimum severance payments calculated?
- ◆ How much notice must be given to each worker?
- ◆ What are the individual requirements that must be observed in relation to each worker's dismissal?
- ◆ Is there specific legislation dealing with women or other protected groups such as minorities?
- ◆ What legislation, if any, covers unemployment insurance and other forms of social protection?
- ◆ What legal requirements apply in terms of workplace joint welfare funds or other systems of workplace support?
- ◆ What rights do workers have in the event of transfers to other employers and outsourcing?
- ◆ What governmental dispute resolution mechanisms are available, such as arbitration (binding and non-binding), conciliation, and mediation?
- ◆ What laws are in place that are related to the rights of workers in "atypical" employment, including temporary, part-time, and self-employed workers?
- ◆ What is the position in relation to public and private pension arrangements and their portability between employers?
- ◆ Are there rules that require preferential rehiring for retrenched workers in the event of future employment?