# DRAFT: Retrenchment plan template

**How to use this template**

This template is designed to assist your organisation to develop a retrenchment plan that aligns with investor standards on retrenchment management, particularly IFC Performance Standard 2 (PS2).

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| **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 workers. The retrenchment plan will be based on the principle of non-discrimination and will reflect the client’s consultation with workers, 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 workers and their organizations.  19. The client should ensure that all workers 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 workers, (ii) where appropriate, for the benefit of the workers, or (iii) payment will be made in accordance with a timeline agreed through a collective agreement. Where payments are made for the benefit of workers, workers 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> |

The purpose of a retrenchment plan is to ensure that companies adequately consider alternatives to retrenchment and solicit perspectives from the workforce and worker representatives through consultation. If viable alternatives to retrenchment are not possible, retrenchment planning ensures that the process is transparent and impacts on workers are minimised. It should also ensure that impacted workers receive all legal benefits and entitlements, including severance payments, share options, and gratuity payments as relevant.

Proper planning is crucial, since a poorly implemented retrenchment process may result in adverse operational impacts, especially if it is perceived that retrenchment was unfair or unnecessary. An improperly executed retrenchment can also lead to legal risks (e.g. in the case of non-payment of statutory severance or other entitlements) and reputational risks which may negatively impact the owners or founders in future fundraising rounds.

Below is a retrenchment plan template that can be used to ensure that planning is undertaken in a manner consistent with investor standards.

# Retrenchment plan template

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

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| **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* |

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| **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** |
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| **Summary of key legal requirements** | |
| Key law(s) 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, workers’ organisations) |  |
| Requirements relating to redundancy selection criteria |  |
| Requirements relating to severance payments and other benefits |  |
| Other requirements |  |

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| **Consultation schedule** | | | | |
| Who | When | Attendees | Key agenda items, discussion topics | Key outcomes and action items |
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| **Selection mechanism and criteria for dismissal** |
| *Summary of criteria for selecting workers for redundancy. In all cases, selection criteria should not be discriminatory as required by relevant national laws and investor standards (e.g. on the basis of ethnicity, disability, gender). Fair and objective criteria should be used, such as length of service, performance record, disciplinary record, absence record, skills, and knowledge.*  *For further guidance, see: IFC, Good Practice Note: Managing Retrenchment (2005): <https://www.ifc.org/en/insights-reports/2000/publications-gpn-retrenchment>* |

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| **Anticipated impact on staff made redundant** |
| *Summary of prospects for redundant staff, including:*   * *Ease of identifying and accessing new job opportunities* * *Eligibility for unemployment or other benefits* * *Availability of (re) training, job assistance, or other measures* |

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| **Support measures for redundant staff** |
| *Based on anticipated impact on staff, summary of appropriate support measures, e.g. retraining, outplacement, job assistance, counselling, training opportunities* |

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| **Cost of redundancy** |
| *E.g. cost of severance payments and other statutory entitlements, pension / medical obligations, support measures, voluntary redundancy packages, stock or other options* |