Redundancy and Retrenchment

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Redundancy at work occurs when an employer no longer requires a job to be done. When an employee’s needs are not required at a job, an employee becomes redundant. Retrenchment at work occurs when an employee’s employment is terminated through no fault of his/her own.

Redundancy and retrenchment can occur due to several reasons. It could be due to an organization's decision to restructure the company. Relocation of businesses, mergers or takeovers might result in jobs being lost. Technological change, a lack of demand for products or services might be another reason. Several changes such as the structure of the markets (tariffs or exchange rates) can also affect redundancy and retrenchment.

Selecting employees for retrenchment

Employees are selected for retrenchment based on several factors. Commonly, employees are selected based upon their length of service with the organization, their future potential or their performance. The length of service with the organization usually refers to the statement ‘last in, first out’ (LIFO). The LIFO selection method for retrenchment aims to protect employees who have been with the company for longer time. This method might seem fair to the employee who has served a longer time, however, it may not be in the best interests of the company.

Another approach is ‘first on, first off,’ which aims to create opportunities by removing older employees. This might be problematic as the level of experience might be reduced and loyalty towards a company will be undermined.

Employees could also be chosen based upon their job performance. This method aims at removing poorly performing employees first. This would also be based upon the performance appraisal system of the organization. Organizations using this system will have to provide employees with feedback and opportunities for improvement to ensure fairness.

Evaluating the future potential of employees and retrenching those with least potential first is a method used by companies. This method relies on performance reviews and similar to job

performance, it requires procedural fairness.

Retrenchment can also be voluntary, whereby employees who want to be made redundant are provided with the opportunity to do so. Voluntary redundancy can also occur when an employee is offered financial incentives to leave a job. This method of managing layoffs encourages employees for redundancy. However, this might result in best employees (individuals the company wants to keep) leaving.