



A GUIDE TO DIMISSALS IN KENYA





GENERAL

What are the generally accepted grounds for dismissal?

The Employment Act, 2007 (Employment Act) provides that a dismissal is acceptable if is both substantively and procedurally fair. This means:

Procedurally Fair
The termination followed fair procedure.

The reason for termination is fair, meaning that it is:

- related to the employee's conduct, capacity or compatibility; or
- based on the operational requirements of the employer



On what grounds may an employee claim their dismissal is unfair?

The following factors will be considered when determining whether a dismissal is unfair:

- if the employer does not follow proper procedure. For instance, not providing the employee with an opportunity to respond to the accusation against them or not providing the employee a chance to appeal the outcome against them;
- failure to conduct a disciplinary hearing prior to termination;
- the conduct and capability of the employee up to the date of termination;
- the existence of any pervious warning letters issued to the employer; and
- the previous practice of the employer in similar circumstances.

What institutions and/or forums adjudicate disputes related to unfair dismissals?

An employee that has been unfairly dismissed may lodge a complaint with:

- the Employment and Labour Relations Court (Labour Courts) where they may be represented by an advocate; or
- a labour officer within three months of the date of dismissal. Lodging a complaint with a labour officer does not prevent an employee from lodging a complaint with the Labour Courts. An employee does not need to be represented by an advocate before the labour officer but may however be represented by an officer of a trade union or an official of the employers' organisation.

Does the law provide for automatically unfair dismissals? Under what circumstances would a dismissal be considered automatically unfair?

The Employment Act provides that an employer cannot dismiss an employee on the basis of:



Are there any termination benefits payable in the event of an unfair dismissal?

If the Labour Courts or the labour officer find that a dismissal is unfair, it may award:

the wages which the employee would have earned had the employee been given the period of notice to which he/she was entitled;

damages for any loss suffered as a result of the dismissal;

12 months' salary;



reinstatement; or

re-engage the employee in work comparable to that which the employee was doing.





Is a dismissal for redundancy permitted?

An employer is generally allowed to terminate employment where there is a redundancy. Redundancy is defined in the Employment Act and the Labour Relations Act, 2007 (Kenyan Labour Relations Act) as:

"The loss of employment, occupation, job or career by involuntarily means through no fault of the employee involving termination of employment at the initiative of the employer, where the services of an employee are superfluous, and the practices commonly known as abolition of office, job or occupation and loss of employment" (emphasis ours).

In addition, the Employment Act provides that an employer may fairly terminate an employee's employment solely based on the operational requirements of the employer. The court in Jane I Khalachi versus Oxford University Press E. A Ltd, Cause no.924 of 2010 held that;

"employers have the prerogative to determine the structures of

their businesses and therefore make positions redundant. Positions and not employees, become redundant. When the position becomes redundant, the employee can be re-deployed, which means the employee is given another job, or the employee is retrenched, meaning the employee loses the job altogether.... Although not expressly defined under the Employment Act 2007, 'reorganization' is contemplated by section 45 [2] as a fair termination reason."

Further the Court in Agnes Ongadi v Kenya Electricity Transmission Company Limited [2016] eKLR held that " ...A redundancy, a restructuring or reorganisation commenced with the sole purpose of laying off specific employees is a sham. Such is not justified and cannot be sanctioned by the court..."

In this regard, it is an employers prerogative to elect to make its employees redundant if there is a justifiable business reason for doing so. The Employment Act does not list specific instances of redundancy and therefore an employer should ensure that the reason is based on operational business requirements.

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THE REDUNDANCY PROCESS

The redundancy process is dependent on whether an employee is unionised or not. We have set out below the steps to be taken when engaging in a redundancy exercise:

STEP ONE

Notice of intended redundancy to employee/trade union

The notice should include the reasons for and extent of the redundancy and should not be less than one month. The notice period of one (1) month cannot be paid off *in lieu*.

If the employee is unionised this notification should be served to the trade union. If the employee is not unionised the notice should be served directly to the employee.



STEP TWO

Notice of intended redundancy to the Labour Officer

This notice shall notify the labour officer of the intended redundancy and shall be served not less than one month prior to the intended redundancy and termination of the employee's contract.

STEP THREE

Consultation process

It has been held both by the Court of Appeal and the Labour Courts that the notice to the employee/ trade union/ labour officer opens up the door for a consultative process with the key stakeholders. The Court in *Kenya Airways Limited -Vs- Aviation & Allied Workers Union Kenya & 3 others [2014] eKLR (Kenya Airways Case)* held that:

- consultation is implicit in the Employment Act under the principle of fair play;
- consultation gives an opportunity for other avenues to be considered to avert or to minimize the adverse effects of terminations;
- consultations are meant for the parties to put their heads together and is imperative under Kenyan law;
- consultations have to be a reality not a charade;
- opportunity must be given for the stakeholders to consider;
- stakeholders must have and keep an open mind to listen to suggestions, consider them properly and then only then decide what is to be done; and
- consultation must not be cosmetic.

In essence, consultation is an essential part of the redundancy process and ensures that there is substantive fairness.

An employer should not know with certainty the employees that will be made redundant at this stage. An objective selection criteria should be strictly observed to ensure fairness.

It is important to note that the consultation process should be run for a minimum of 1 month. Further, that the consultation process may differ if the redundancy is a large or small one, for instance, a town hall meeting may be held with all employees if the redundancy is a large one.

The employer should ensure that it carries out the process as fair as possible and that all mitigating factors are taken into consideration.



STEP FOUR

Notice of redundancy/New appointment/Retention

This notice shall notify the employee whether they:

- have been retained in their initial position with some adjustments e.g., reduction in salary;
- have been transferred to a new position; and
- have been made redundant notice should also set out the heads of the terminal dues payable upon termination.



Issue certificate of service

On the last day of employment of the employee being made redundant, the employee be paid their dues. It is recommended that, simultaneously with receiving their terminal dues, the employees be required to sign a letter confirming that they have no outstanding claims and issued with a certificate of service. What are the category of persons an employer must consult when contemplating redundancy?

The Employment Act provides that the categories of persons an employer must consult with when considering a redundancy are:



the employee;



the trade union (if the employee is unionised); and



the labour officer.

What, if any, is the role of trade unions in the redundancy process? Are employers required to consult minority trade unions and individual employees where the employees are not unionised?

Employers are required to consult recognised trade unions during the consultation process. As stipulated in the *Kenya Airways Case* the consultation process is meant to encourage the parties to discuss and negotiate alternatives to the intended redundancy. The role of trade unions is to negotiate and mitigate the harm that the employees may suffer from the redundancy.

Further, the Court in Kenya Union of Domestic Hotels Educational Institutions and Hospital Workers (KUDHEIHA) v Aga Khan University Hospital Nairobi [2015] eKLR held that if the parties have a recognition agreement (such an agreement is entered into upon the satisfaction that the trade union has attained a simple majority of membership amongst unionisable employees) it cannot be argued that the trade union is only representing a minority of the employees. The Trade Union will have to be consulted in the consultation process.

Employees that are not unionised should be individually consulted in the consultation process. Where employees and/or their union representatives refuse to engage in the consultation process preceding redundancy, is an employer entitled to proceed to terminate the employee's employment based on operational requirements?

Kenyan law does not expressly provide for termination where an employee/union representative refuses to engage in the consultation process. The Labour Courts have also not interpreted this position. However, from our interpretation of the law, the consultation process is a mandatory and essential part of the redundancy process as its ensures that there is substantive fairness. The *Kenyan Airways Case* speaks to this point.

In this regard, we would advise an employer to refer the matter to a conciliator to help resolve the impasse as provided in the collective bargaining agreement or section 67 of the Kenyan Labour Relations Act. A conciliator has the power to summon any person to attend the conciliation. The conciliator may mediate between the parties, conduct a fact-finding exercise or make recommendations. Is an employee who has been made redundant entitled to severance pay? If yes, how is severance pay calculated? Are there any exceptions to the payment of severance pay for employers in financial distress?

An employee is entitled to severance pay on redundancy. The Employment Act provides that the employee is entitled to a minimum of 15 days for each year of service completed.

In addition to severance pay, an employer is required to pay an employee:

- their basic salary up to the last day of employment;
- accrued leave days in cash;
- where applicable, payment *in lieu* of notice- the minimum notice period under the Employment Act is thirty (30) days, however this will depend on the notice period as set out in the employee's employment contract; and
- pay any benefits provided for under the employment contract which may include but not be limited to airtime allowance, car allowance and entitled bonus.

Section 40(2) of the Employment Act exempts an employer that is insolvent from paying severance pay. Insolvency for purposes of this exemption is where an administration or liquidation order has been made against the employer. The employee in such a situation would be entitled to:

- unpaid wages or salary of up to six months;
- notice pay; and
- leave pay.

What are the generally acceptable selection criteria that may be applied during a redundancy process? May an employer unilaterally determine the selection criteria?

An employer is required to consider seniority in time, skill, ability and reliability of the employees when determining who should be declared redundant.The Employment Act further provides a non-exhaustive list of objective criteria that should be observed which includes;

- last in first out principle (LIFO);
- disciplinary issues which have not been resolved with warnings documented in the employee's file;
- performance failures; and
- skills and required capabilities for the existing/new positions.

An employer should determine whether an employee should be made redundant based on the above selection criteria during the consultation process, and also consider any alternative circumstances for instance, placing the employee in a different position or decreasing the employee's salary.

The Labour Courts have held that the selection parameters listed above cannot be substituted. Therefore, in a redundancy process, an employer must establish that all the parameters have been considered in an objective manner as the burden is on the employer to demonstrate the rationale behind selecting one employee over the other.

What are the consequences of an employer applying a selection criteria which is not fair and/or objective? What selection criteria is considered to be the most fair and objective?

Where a redundancy does not meet the required criteria, an employee may make a constitutional claim based on discrimination and may further claim unfair termination. The Labour Courts may award pecuniary remedies including:

- up to twelve (12) months' salary;
- reinstatement of the terminated employee to their former position; and
- awarding exemplary damages.

Further, as stated above, fairness is determined on a case by case basis. An employer will need to establish the parameters that have been considered and elaborate that they have been determined objectively.

Are temporary lay off's permissible in Kenya? If so, under what circumstances?

Temporary layoffs are not expressly provided for under Kenyan law. For example, during the COVID-19 pandemic, many employers resorted to temporarily laying off employees as a way of mitigating their losses. These gaps in the law revealed the need for legislation to address this issue. In addition to the severance pay, are there any other benefits payable on redundancy? And if so, what benefits are payable?



Any accrued leave up to the date of termination; and

Gratuity pay (optional).

an employee. arbitration. notice period.

Are employers permitted to offer employees voluntary severance packages and early retirement as an alternative to redundancy?

In Kenya, they are permitted as long as they are included in the employer's HR policies and an employee willingly applies for the voluntary severance package and/or early retirement in the terms set out by the employer. It is regarded as a new agreement between the employee and the employer.

The Court of Appeal in National Bank of Kenya Limited v H B & 103 Others [2017] held that the terms of a voluntary severance package and/or early retirement are valid as long as they are voluntarily accepted by

What recourse does an employee have where they are of the opinion that their redundancy process was unfair?

Parties may approach a labour officer or the Labour Courts for dispute resolution. Arbitration may also be used where the parties have, in their employment contract, provided for arbitration as the dispute resolution mechanism or where the parties mutually agree to resolve the dispute by

What, if any, notice periods are applicable?

At least one month's notice for the impending redundancy and the contractual

On what basis can an employee claim that their redundancy is unfair?

If an employer fails to comply with the provisions of Section 40 of the Employment Act which are as follows:



What remedies are available to employees who have been made redundant unfairly?

If the employer fails to follow the correct process during a redundancy, the courts could hold that the redundancy never occurred.

In the event that the dismissal is deemed to be unjustified in the opinion of a labour officer, the following remedies are available to employees:

• the employee will receive the wages which the employee would have earned had the employee been given the period of notice to which he was entitled or the equivalent of a number of months wages or salary not exceeding 12 months based on the gross monthly wage or salary of the employee at the time of dismissal. Further, where dismissal terminates the contract before the completion of any service upon which the employee's wages became due, the labour officer could also recommend the employer pay the proportion of the wage due for the period of time for which the employee has worked; and any other loss consequent upon the dismissal and arising between the date of dismissal and the date of expiry of the period of notice, which the employee would have been entitled to by virtue of the contract:

- in the event that the dismissal is deemed to be unfair in the opinion of a labour officer, the Labour officer may order either reinstatement or re-employment; or
- where the employee successfully claims that they were discriminated against, the quantum of damages may significantly increase. Courts have held that the correct approach in awarding damages is to use a composite or global figure of damages (about 5,000,000 to 7,500,000). Awards for discrimination are not based on the employees remuneration as this poses the danger that high earning individuals may unwittingly be awarded more as compensation that those that earn less, even though the injury suffered by may be equal or greater for the latter.

If the employer fails to follow the correct process during a redundancy, the courts could hold that the redundancy never occurred.





Where an allegation of misconduct has been made against an employee, what is the process an employer must follow? Is an employer entitled to suspend an employee until such time as the allegations have been investigated?

Yes. An employer is entitled to suspend an employee until the conclusion of the investigations if provided for under the employer's human resource manual and policies.

Where an employee is terminated for misconduct, the following process may be followed subject to the employer's human resource manuals and policies:

- Investigations into the misconduct are carried out;
- The employee is issued a written notice to show cause; and
- A disciplinary hearing is conducted and following this, the disciplinary committee informs the employee of the decision, which can be:
 - a final warning: or
 - termination of employment, where the employer gives notice to the employee or pays *in lieu* of notice, and terminal dues are paid either at the end of the notice period or with the payment *in lieu* of notice; or

• summary dismissal, where employment is terminated immediately, and terminal dues paid.

Where an employer suspends an employer pending an investigation into allegations of misconduct, is an employer obliged to pay the employee? Are there any exceptions?

The Employment Act does not allow an employer to withhold an employee's salary during suspension. The Labour Courts have held that where an employer withholds salary during the period of suspension, an employee has a legitimate expectation that if found innocent then they will be paid their dues during the period of suspension. If however an employee is found culpable then the employer is not obligated to pay the employee's dues during the period of suspension.

See the judgment of Bryan Mandila Khaemba v Chief Justice and President of the Supreme Court of Kenya & another [2019] eKLR.

Is a disciplinary hearing mandatory prior to a dismissal on the basis of misconduct? When can an employer simply allow an employee to make written representations in response to allegations of misconduct?

Yes. In terms of section 41 of the Employment Act it is mandatory for a disciplinary hearing to be held before the termination of an employee on the grounds of misconduct.

An employer has an obligation to explain to the employee the reasons for which they are contemplating terminating their services. This should be done in a language that they employee understands. They employee is also entitled to have another employee or shop floor representative present during such explanation.

After such explanation, an employee has the right to make any oral or written representations in response to the employer's explanation.

What is summary dismissal and under what circumstances is it permissible in terms of Kenyan law?

Summary dismissal takes place when an employer terminates the employment of an employee without notice or with less notice than that to which the employee is entitled by any statutory provision or contractual term. An employer may dismiss an employee summarily when the employee has by his conduct indicated that he has fundamentally breached his obligations arising under the contract of service. Employees who are summarily dismissed are still entitled to be granted a hearing by the employer and the employer should consider any representations which the employee may have.

The grounds for summary dismissal include gross misconduct, the examples of which have been set out above.

What, if any, notice periods are applicable?

In the event of a summary dismissal, an employer is allowed to terminate the services of an employee without notice or with less notice than they are statutorily or contractually obligated to.

Are there any termination benefits payable in the event of a dismissal for misconduct?

Where dismissal is by way of summary dismissal the employer must pay the following amounts (terminal dues) to the employee:

- salary up to the date of termination;
- accrued leave up to the date of termination; and
- any other earned and accrued benefits under the employment contract e.g., bonuses
- Where the misconduct does not warrant summary dismissal, an employer must pay the following amounts (terminal dues) to the employee;
- payment *in lieu* of notice or in the alternative give the employee a termination notice. The notice period must be the period agreed upon in the employment contract and where no period was agreed upon, the statutory notice is one month;
- salary and bonuses up to the date of termination;
- accrued leave up to the date of termination; and
- gratuity pay (optional).

What recourse does an employee have where they are of the opinion that their dismissal for misconduct is unfair?

An employee can bring an action for unfair termination in the Labour Courts (or such other dispute resolution forum specified in their employment contract) against the employer.

Do the remedies for a substantive dismissal differ from where a dismissal is only found to be procedurally unfair? What is the maximum compensation that can be awarded to an employee?

Kenya's labour laws require that dismissal must satisfy two principal requirements, namely (i) the dismissal must be for valid reason and (ii) the statutory prescribed procedure for termination must be followed. Where one of these requirements is not satisfied, the dismissal is deemed to be unfair termination of employment. An employee may be awarded damages of up to a 12 months' pay in addition to earned wages, bonuses and any other accrued benefits due to the employee.

Where an employee is awarded reinstatement or reemployment, however both are not practically possible, what are the options available to an employer?

Once an employee's dismissal is deemed unfair by the employment and labour relations court, section 12 (3) of the Employment and Labour Relations Court Act 20 of 2011 grants the Labour Courts power to order reinstatement of a dismissed employee within three years of dismissal, subject to such conditions as the employment and labour relations court thinks fit to impose.

Kenya's labour laws do not provide for re-employment. In practice, reinstatement is sparingly applied in the private sector but is common in the public service.

What potential liability does an employer face where an employee succeeds in showing their dismissal was unfair?

Where dismissal is found to be unfair, an employer may be required to pay the employee wages for the applicable termination notice period, in addition to damages of up to an amount equal to 12 months' pay.



What is incapacity in the employment context? What is an employer required to prove?

Courts have interpreted incapacity as inability to perform contractual duties. The Employer is required to establish using medical reports that the employee is not capable of resuming work in the foreseeable future.

What is the process that must be followed when dealing with a dismissal on the basis of incapacity?

The employer is required to first support the employee as they recover from the incapacity and provide such reasonable accommodation as the employee may require in order to resume duty.

Once the employer begins to consider termination, they must subject the employee to medical examination aimed at establishing the employee's ability to resume work in the foreseeable future. Treatment notes and sick off sheets do not qualify as medical reports for purposes of termination of employment on medical grounds. The employer has a duty to investigate the extent of the incapacity and consider all the possible alternatives short of dismissal. If it is clear that the employee will not be able to resume their duties, the employer must give the employee specific notice of the impending termination.

Failure to follow this procedure even where there is overwhelming evidence of an employee's inability to work amounts to unfair termination for want of procedural fairness.

Is incapacity limited to poor work performance and/or ill-health?

Incapacity is limited to medical grounds (ill health/injury).

Poor performance is a distinct ground for termination of employment. An allegation of poor performance should be supported by evidence of specific performance, targets and appraisal of performance. The following steps should be followed where there is poor performance;

- i. The employer must call the employee for a review or appraisal before taking any action that is likely to result in termination of employment. The performance appraisal must involve active participation of the employee.
- ii. The employer places the employee on a performance improvement plan (PIP).

iii. If at the end of the PIP the employee has not improved, the employee is taken through a disciplinary hearing before the decision to terminate his employment can be made. The disciplinary hearing would be preceded by a letter: (i) explaining to the employee in a language he or she understands the reason the employer is considering termination; (ii) informing the employee of his right to have another employee or union representative of his choice present during this explanation

How serious must the employee's illness or injury be before his/her employer may dismiss him/her for incapacity?

An employer is required to establish, by way of a medical examination report, that the employee's ability to resume work in the foreseeable future is not possible.

Is an employer expected to undertake an investigation when becoming aware that the employee is no longer able to perform his/her work according to the requisite standards demanded by the employer? Or may the employer simply proceed with disciplinary processes?

The employer has a duty to investigate the extent of the incapacity and this

is done by subjecting the employee to specific medical examination. In addition, the employer is required to consider all possible alternatives before dismissing an employee on grounds of incapacity.

What interventions are required on the part of the employer where it is found that an employee is unable to perform their functions either due to a medical condition or as a result of poor work performance?

With respect to incapacity due to a medical condition, the employer is required to consider all possible alternatives before dismissing an employee.

With respect to poor work performance, the employer is required to make reasonable efforts in assisting the employee improve. An employee will typically be placed on a performance improvement plan and have specific performance targets for the duration of the performance improvement plan. At the end of that period, an appraisal of the employees performance has to be conducted before termination proceedings are considered.

What, if any, notice periods are applicable?

There is no prescribed notice period for incapacity. Since incapacity is based on medical grounds, the employee can proceed to be placed



on sick leave. Where an employee has been employed for at least two consecutive months, the employee is entitled to thirty days of sick leave with full pay and thereafter fifteen days with half pay. The employer may then issue a notice of termination if the employee is still incapable of performing his/her work according to the requisite standards. The notice period applicable is usually the period agreed upon in the employment contract and where no period was agreed upon, the statutory notice is one month.

Are there any termination benefits payable in the event of a dismissal for Incapacity?

An employee dismissed on grounds of incapacity is entitled to:



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Chambers Global 2014–2024 ranked our Employment Law practice in Band 2 for employment. *The Legal 500 EMEA 2020–2024* recommended the South African practice in Tier 1. *The Legal 500 EMEA 2023–2024* recommended the Kenyan practice in Tier 3 for employment.

The way we support and interact with our clients attracts significant external recognition.

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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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