



## LEGAL ALERT

# COLLECTIVE EMPLOYEE TERMINATION IN UGANDA AMID FUNDING SUSPENSIONS: A DELICATE BALANCE BETWEEN BUSINESS PRUDENCE & FAIRNESS

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## Introduction

The recent suspension of U.S. government funding, following the U.S. Department of State's directive under the President's Executive Order on Reevaluating and Realigning United States Foreign Aid, has significantly impacted Uganda's nonprofit sector. With funding streams abruptly halted, many NGOs are grappling with stalled operations, unpaid salaries, and mounting financial

uncertainty. As organizations navigate this crisis, some may face the difficult reality of downsizing their workforce through collective terminations.

This article explores the legal and procedural framework for collective terminations in Uganda, ensuring that affected organizations comply with the law while treating employees fairly. By adhering to international labor standards and the provisions of Section 80 of the Employment Act Cap

226, NGOs can mitigate legal risks and uphold ethical employment practices during this challenging period.

### The Employer's Right to Restructure

Employers have the right to restructure their organizations in response to financial constraints, shifts in operational strategy, or funding cuts. However, exercising this right must be done in a manner that is legally compliant, transparent, and fair.

Under Section 80 of Uganda's Employment Act, Cap 226, collective terminations must be based on legitimate economic, technological, structural, or similar justifications. While the law initially envisioned collective termination to apply when 10 or more employees were affected, the Industrial Court ruling in *Abigaba v Bank of Uganda (Labour Dispute Claim 142 of 2014) [2017] UGIC 24* clarified that even the termination of a single employee for economic or structural reasons must follow the same guidelines. This precedent underscores the need for all NGOs considering layoffs due to funding suspensions to comply strictly with legal provisions.

### Criteria for Selecting Employees for Termination

NGOs facing mass terminations must establish clear selection criteria to ensure transparency and fairness. These criteria should be outlined in employment policies and could include factors such as:

- **Seniority:** Prioritizing retention of long-serving employees where possible.
- **Performance:** Objective assessment of employee contributions.
- **Skill Relevance:** Retaining employees whose skills are critical to ongoing operations.
- **Equity Considerations:** Avoiding discriminatory practices and ensuring that vulnerable employees are protected as much as possible.

### Legal Process for Collective Termination

For NGOs forced to implement collective terminations, strict adherence to Section 80 of the Employment Act, Cap 226, is crucial. The following steps must be followed:

1. **Providing Advance Notice:**  
Affected employees must be informed at least one month in advance, detailing the reasons for termination and the number of employees affected. Information should include details about the timeline, impact, and any potential measures to mitigate job losses.
2. **Consultation with Employee Representatives & Labor Unions:**  
If employees are unionized, the employer must notify the union at least one month prior to the terminations. Consultation should explore alternatives to layoffs, such as salary reductions, unpaid leave, or internal redeployment.
3. **Notification to the Labor Commissioner:**  
Employers must submit a formal notice to the



Labor Commissioner, providing details of the terminations, including affected employees, justifications, and mitigating actions taken. The Labor Commissioner may intervene to mediate and suggest alternative solutions where possible.

4. **Issuing Termination Notices:**  
Individual termination letters should be issued to affected employees, outlining the reasons for termination and notice periods per contract terms.
5. **Settling Final Dues & Benefits:**  
NGOs must ensure that all outstanding salaries, terminal benefits, and statutory payments (e.g., gratuity, accrued leave, notice payments) are settled before termination takes effect.
6. **Employees should be provided with a Certificate of Service, as required under the law.**
7. **Notification of Statutory Bodies:**  
Employers should inform relevant bodies such as the National Social Security Fund (NSSF) and Uganda Revenue Authority (URA) to adjust payroll records accordingly. If tax obligations, such as Pay-As-You-Earn (PAYE), are affected, NGOs must document these changes and ensure compliance.

## Mitigating the Impact of Collective Terminations

Where terminations are unavoidable, NGOs should consider measures to ease the transition for affected employees:

- **Bonus Packages & Support:** Providing ex-gratia payments or transition assistance where financially feasible.
- **Job Placement Assistance:** Connecting employees with alternative employment opportunities in the sector.
- **Counseling & Emotional Support:** Offering professional counseling services to help employees cope with job loss.

## Conclusion

The suspension of U.S. donor funding has placed NGOs in an unprecedented crisis, forcing many to make difficult workforce decisions. While collective terminations may be necessary, they must be handled with strict adherence to Uganda's legal framework and international labor standards. By following the proper legal procedures, engaging in meaningful consultations, and implementing mitigation measures, NGOs can navigate this challenge responsibly while preserving the dignity and rights of their employees.

As organizations adapt to this evolving situation, proactive planning and legal compliance will be key to ensuring fairness and maintaining trust within the sector. NGOs must strike a balance between financial survival and ethical employment practices to emerge stronger from this period of uncertainty.

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## About TASLAF Advocates

TASLAF Advocates provides blended legal and tax services to the most impactful entities operating in Uganda & East Africa. We are driven by a desire to create social impact and harness the interconnectedness of the African eco-system in our provision of blended legal & tax services. Our clients include leading private equity/impact funds, construction and oil & gas companies, tech companies, leading NGOs and social enterprises looking to set up or expand in Uganda and East Africa.

Our team combines a breadth of experience, education, and training in the best institutions in the world. We are always on the lookout for the most talented and ambitious professionals to join the team. With a mix of lawyers and accountants across the board, our service offerings are unequalled in both tax & legal assignments.

Our pro-bono arm provides free legal services to leading SME's and social enterprises in Uganda helping them to save legal fees and create impact in their areas of operation.

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