



An Outline of Legal Regulations Relating to Redundancy

It is a fact of corporate life that companies need to restructure their business from time-to-time in order to adapt to changing market circumstances. The Labour Code and other related legislation set out the regulations relating to redundancy that must be followed in order for the employer to avoid penalties.

Redundancy may be allowed for reasons related to changes in economic, operations, structural, technological, or production aspects of the company, as set out in the Special Principles of Terminating Employment with Employees Due to Reasons not Attributable to Employees Act dated 13 March 2003 (the "Act"). The Act applies when an employer with at least 20 employees terminates employment due to reasons not attributable to employees, if, within the period of up to 30 days, employment is terminated with:

1. 10 employees, provided that the employer employs less than 100 employees,
2. 10% of employees, if the employer employs at least 100 employees, however, less than 300 employees,
3. 30 employees, if the employer employs at least 300 or more employees.

This general rule has several exceptions and there are some further detailed provisions relating to the rules of counting employees. The employer should, prior to termination, consult the company's trade union (if relevant), or the employees' representatives, and notify the relevant authority. For collective redundancies the Act has special provisions relating to calculating severance payments. Severance payments will be one, two, or three months' remuneration depending on the length of employment, and should also take into account unused holiday pay. Severance pay may exceed 15 times the minimum wage.

The Labour Code provides for broad protection against unjustified termination of employment by the employer. This protection includes an absolute prohibition of termination for certain groups of workers. The Labour Code requires all termination notices to be in writing and for a valid reason.

Contact

Please do not hesitate to contact us if you wish to know more about this subject:

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