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25<sup>th</sup> April, 2020

**To: All Member-Companies**

Dear Sir/Madam,

**EMPLOYMENT CONTRACTS AND SALARY OBLIGATIONS TO EMPLOYEES DURING COVID-19 LOCKDOWN**

We have had to respond to individual enquirers for guidance on what to do with regards to payment of salaries to employees during the lockdown period. Due to increased enquiries, it has become imperative to formally address the subject for the benefit of all members.

It is important to note that employers' obligations to pay wages to its staff is a function of contracts detailed in letters of appointment and other terms encapsulated in the general conditions of service/ employee handbook which forms integral part of the contract as references on the letter of Employment. Even in the informal sector, there are understandings reached between the employer and employee on what his benefits are. Either way, formal or informal contracts are ideally vacated or set aside through the dissemination of appropriate communication by way of another agreement or understanding on separation of relationship between the two parties.

The following guidance are fundamental in reaching a decision on salary payment or otherwise by an employer during and post covid-19 lockdown:

- a) For as long as a contract, agreement or understanding subsist between the employer and employee, the company is obligated to continue to pay agreed Wages to the worker
- b) Immediately the employer comes to the decision that wages are no longer sustainable and that the hard decision to right-size is the way to go, s/he should:
  - Convene a formal discussion process with the Union in a unionized work environment, putting the facts on the table
  - In a non-unionized work environment, workers representatives where it exists could serve the same purpose. Or either a town hall meeting or departmental briefings will suffice
- c) Options on the table could include:
  - the conversion of the unproductive lockdown period of stay at home to paid annual leave
  - concession of some days as retained outstanding leave where necessary
  - offer of pay reduction as an alternative to outright disengagement from work in the first instance pending a review at a later date to be agreed, perchance there will be improvements in the fortune of the company or favorable government policy etc.

- d) In the event that separation becomes inevitable, it must be well documented after due information and communicated formally
- In the event of termination, the required notice period and other terms/provisions of the contract, handbook, collective agreement, etc should be taken into consideration.
  - In the event of redundancy, the company should be guided by section 20 of the Labour Act as well as the Redundancy Agreement for the Redundancy payment, among others.
  - In the event of a third party contract/Outsourced workers, their Agreement should also be considered.
- e) Ideally, staff disengagement must be cash backed with all due terminal benefits paid for a clean split.
- f) In the event that the company lacks the wherewithal to fully pay the due terminal benefits immediately, the mode, timeline and duration for offsetting the payment should be well spelt out as part of the terminal agreement.

Further details, handholding through the process (if required) and guidance are available through the process at NECA Secretariat.

Thank you.

Yours faithfully,



**Dr. Timothy Olawale**  
Director General

## Nigeria Employers' Consultative Association (NECA)

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