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Legal Alert!



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THE EMPLOYMENT (AMENDMENT) ACT, 2025

The President of Uganda assented to the Employment (Amendment) Act, 2025 on 29 April 2026, marking the most significant overhaul of Uganda's labour regulatory framework in nearly two decades. The Employment (Amendment) Act amends the Employment Act, Cap. 226 and, by cross-reference, the Labour Disputes (Arbitration and Settlement) Act, Cap. 227.

The reforms codify key judicial principles into statute, expand the lawful grounds for termination and dismissal, introduce structured procedural requirements, and materially increase employer exposure for non-compliance. Below are the key developments.

I. Termination; Section 64

Three new grounds for termination have been added:

- Redundancy; the employer must demonstrate cessation of business operations or operational reorganization through labor-saving devices, changes in work patterns, or reduced workforce requirements. Mere reference to 'restructuring' will not suffice; courts will require a documented business case.
- Prolonged sickness exceeding six months, rendering the employee incapable of performance.
- Circumstances where continued employment would result in a breach of a statutory obligation.

For sickness-based termination, the amendment establishes a structured pay regime: full pay for the first two months; half pay for the next four months; termination only thereafter and only after obtaining a medical opinion and satisfying all contractual obligations.

II. Dismissal; Section 64A.

The amendment draws a clear statutory distinction between termination and dismissal replacing the former 'verifiable misconduct' test. An employer may now dismiss an employee only on the following specified grounds:

- Abscondment from duty for more than thirty consecutive days without the employer's permission or knowledge.
- Presentation of forged documents or misrepresentation of qualifications at recruitment.
- Conduct inside or outside employment that may adversely affect the employer's business.
- Any other ground expressly stated in the contract of employment.

This underscores the critical importance of carefully drafted employment contracts. Clearly defined misconduct provisions provide an enforceable contractual basis for dismissal within the statutory framework.

III. Procedural & Substantive Fairness; Section 65, 65A, 65B, 65C.

Procedural Fairness. Before any dismissal, an employer must: explain the reasons in a language the employee understands; allow the employee

to be accompanied by a person of their choice; and give the employee five clear working days to prepare a defense. Non-compliance triggers an automatic liability of four weeks' net pay, regardless of whether the dismissal was substantively justified.

Substantive Fairness. Any dismissal outside the prescribed statutory grounds under section 64A is automatically unfair (section 65A). The Act also recognizes wrongful dismissal arising from breach of contract (section 65B), and expressly prohibits dismissal on protected grounds; including pregnancy, lawful leave, union membership, protected characteristics, initiation of legal proceedings, or temporary absence on valid grounds (section 65C).

IV. Severance Allowance; Section 86 & 88.

Severance allowance has been standardized at one month's salary for each completed year of service. This replaces the previously uncertain position that depended heavily on contractual terms and judicial precedent. Severance is now payable on redundancy, physical incapacity termination, and where a Labour Officer terminates a contract due to the employer's refusal to pay wages.

V. Redress and Compensation; Section 70, 76 & 77.

Employees have three months from the date of dismissal to lodge a complaint with a Labour Officer (extendable where just and equitable). The basic compensatory award for unfair dismissal has been doubled from four weeks' wages to eight weeks' wages, with additional compensation of one to three months' pay available. This materially increases employer financial exposure in defective dismissals. Labour Officers' orders may now be executed through the Industrial Court.

VI. Other Key Changes

Workplace Harassment; Sections 6 & 6A. Sexual harassment measures must now be visibly displayed at the workplace. A new section 6A expressly criminalises employer intimidation and harassment, broadly defined to include written, verbal or physical abuse, degrading public tirades, withholding of contractual necessities, and conduct that insults the modesty of an employee.

Casual & Domestic Workers; Sections 33, 34A & 34B. No employee may be engaged as a casual worker for a continuous period exceeding six months. Re-hire after lay-off is treated as continuous

employment; brief breaks will not reset the clock. Domestic workers and piecework arrangements are now formally brought within the minimum protection framework.

Probationary Employment; Section 66. Where an employer continues to pay an employee after the probationary period lapses without formally extending it, the employee is deemed confirmed in employment. The notice period to terminate during probation has been extended from seven days to one month.

Redundancy Notice; Section 80. Employers must notify the Labour Commissioner and any relevant labour union at least thirty days before any intended group termination or redundancy takes effect.

Breastfeeding & Childcare; Section 56A. Every employer is required to provide time, space, or a facility for breastfeeding and childcare for employees' children between three and thirty-six months of age.

Migrant Workers; Part IXA. A new framework restricts certain job categories for migrant workers. Employing a migrant worker in a declared restricted category without an exemption certificate is a criminal offence.

Practical Lessons for Employers.

The reforms reflect a determined shift towards structured employment protections and heightened procedural accountability. Employers should act now to:

- Audit and update employment contracts to ensure misconduct provisions are clearly defined and legally compliant.
- Review disciplinary codes, redundancy procedures, sick-leave policies, and severance frameworks.
- Display harassment prevention measures prominently at the workplace.
- Review casual and domestic worker arrangements and payroll practices.
- Build redundancy notification timelines into restructuring planning from the outset.

CONCLUSION

Uganda's Employment (Amendment) Act, 2025 does not stand in isolation. The reforms it introduces; codified dismissal grounds, structured procedural fairness, standardized severance, and expanded compensation, reflect a broader regional shift in labor regulation that is already operative across East and Southern Africa. Comparable frameworks are actively enforced in South Africa through the CCMA, in Kenya through the Employment and Labour Relations Court, and in Tanzania through the Commission for Mediation and Arbitration, each with established institutional machinery, binding timelines, and significant financial consequences for non-compliance.

In all these jurisdictions, the employer bears the onus of proving both the substantive reason for dismissal and the fairness of the process followed. South Africa's experience under its 2025 Code of Good Practice demonstrates that procedural shortcuts, even where the underlying reason for dismissal is sound, routinely attract compensation orders and reinstatement. Kenya's courts have moved in the same direction, increasingly awarding between eight- and twelve-months' gross salary for unfair termination and imposing substantial fines for failure to notify the Labour Officer of redundancies. Tanzania has gone further by introducing a discipline freeze that bars employers from pursuing disciplinary action once a dispute is before the CMA, a mechanism with no current equivalent in Uganda's Act but one that signals the direction of regional reform.

For Ugandan employers, the practical implication is clear: the Amendment Act raises the standard of employment compliance to one that is increasingly consistent with regional best practice. The financial exposure attached to non-compliance, automatic procedural liability, doubled compensatory awards, and standardized severance is no longer a theoretical risk but a quantified one, enforceable through the Industrial Court. Employers who align their contracts, policies, and procedures with the new framework now will be best positioned to manage the elevated legal and operational demands that the Act introduces.

Disclaimer

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