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LEGAL NEWS

2 August 2024



Court of Appeal Rules on the Reasonable Expectation on Renewal of Fixed-Term Employment Contracts

Background of the Case

The Respondent was employed by the Appellant as an Accountant on periodic fixed term contract from 1 December, 2013 to 31 March 2015. On 25 March, 2015, the Appellant informed the Respondent of the fact that 31 March, 2015 was the end of his contract of employment, hence cessation of employment relationship between them. Aggrieved by the Appellant's notification letter, the Respondent lodged a claim with the Commission for Mediation and Arbitration ("the CMA") accusing the Appellant of unfair termination of his employment contract. The CMA partly held in favour of the Respondent and partly in favour of the Appellant. Dissatisfied with the decision of the CMA, the Respondent applied for revision in the High Court. The High Court ruled that the Respondent had a reasonable expectation of renewal of his employment contract, thus making such termination unlawful. It ordered the Appellant to pay the Respondent 12 months salary as compensation. Aggrieved, the Appellant appealed to the Court of Appeal.

Arguments Raised by the Parties

The Appellant submitted his arguments on the ground that the Respondent was not terminated from service, rather before expiry of his contract of employment, he was just notified that his contract was coming to an end. The Appellant contended that, even if it had not issued the notification, the Respondent's contract would still come to an end.

In opposing the Appeal, the Respondent argued that, there was a reasonable expectation of renewal of the contract, since there had been undisputed previous renewals and that the Appellant was still in need of his services at that time, thus such termination was unlawful.

Determination of Issues and Decision of the Court

In determining the case, the Court raised an issue as to whether there was a reasonable expectation of renewal while the employment contract was categorically for a fixed period of time. The Court reasoned that, the raised issue was relevant since, in terms of section 36(a)(iii) of the Employment and Labour Relations Act, Cap. 366 [R.E. 2019], the employer is liable for unfair termination if he fails to renew a fixed term contract where there was a reasonable expectation of renewal. At this juncture, the Court found that, it was right for the Respondent to raise his expectations on the renewal of his employment, since the Appellant on numerous occasions rolled over the employment contract. All that positioned the Respondent on higher margin of a reasonable expectation of renewal for employment contract.

Based on the above reasoning, the Court adopted the view of the High Court and upheld the previous decision in favour of the Respondent. Thus, the Appeal was dismissed with no order as to costs, it being a labour matter.

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ECRA Attorneys offers professional services in various areas of the law ranging from Taxation (both tax litigation and tax advisory); Corporate; Employment; Immigration; Intellectual property; Litigation, Arbitration and Regulatory; Engineering, Procurement and Construction (EPCs-related Services); Banking and Project Finance, Real Estate; Capital Market and Securities; Oil and Gas, Mining Law; Competition Law; Telecommunications and ICT Law; Payment Systems Law; Insurance Law and International Trade Law and Financing.

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