

Redundancy – look before you leap

Most employers view recession as a threat to their business that will inevitably require them to make redundancies. But for the smart employer it can offer an opportunity for putting in place an alternative workforce strategy to maximise productivity and reduce staff costs.

When faced with diminishing profits it is easy to conclude that staff cuts are necessary to reduce what is often the biggest business overhead. This is not always the clever solution. Often it is a short-term “quick-fix” that may see a business through the immediate danger, without any eye to the medium or long term picture. With a reduced workforce, businesses are not always able to provide the same quality or quantity of their service or product. In that situation, redundancies will not help a business survive in a marketplace where the end-user can afford to shop around.

What’s more, redundancies involve an up-front cost in respect of individuals entitled to a statutory redundancy payment. This is usually the last thing that a cash-strapped business needs. Redundancies can also have a demoralising effect on the remainder of the workforce, which may be to the detriment of work levels and quality.

On the flip side, when handled well and undertaken for the right reasons, a redundancy exercise can be an effective way of streamlining a workforce. But before deciding that redundancies are the best course of action, it is wise to explore other options.

When JCB were recently faced with the prospect of making 350 of their 5,000 UK workforce redundant, it has been reported that they first offered staff a 4 day contract on a pro-rated basic salary, with the opportunity to top up their pay if they met specific

productivity targets. The initiative won the support of the GMB union and the majority of the workforce, on the basis that nobody would need to lose their job. This was a clever move by JCB. It provided employees with an incentive to maximise productivity - which may give JCB a competitive advantage in a tough marketplace, whilst reducing a significant fixed overhead.

Other options which employers may consider as an alternative to redundancy include:

- reduced and flexible working hours
- collective salary reductions (on a temporary or permanent basis)
- an alteration to benefits packages, which may link pay with performance, productivity or business profits
- job-share arrangements
- sabbaticals or temporary lay-offs

Taking time to review these options can help employers maintain positive relationships with their staff and build loyalty for the long term.

Recently we assisted a client in the motor industry who needed to reduce staff overheads. Instead of making compulsory redundancies, our client offered all staff a 5% pay cut to avoid any enforced job losses. We guided our client through an effective consultation process with employees, at the end of which all but two staff agreed to the proposal. Of the two remaining employees, one offered to take voluntary redundancy (which was accepted) and the other requested a reduced hours working arrangement. This 5% reduction in salaries meant that experienced staff were retained and service levels maintained. This was of much more benefit to the business than a headcount reduction.

If these issues affect your business, or if you know other businesses we could assist – do get in touch with our experts overleaf for a non-obligatory discussion.

About us

Adams & Remers is a full service law firm with an established reputation for its work in property, private client, litigation services, company and commercial, and employment law. We are a eight partner, 80 strong, firm based in Sussex with offices in Lewes and Brighton and have clients throughout the country.

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Riding Out The Downturn
Practical Guidance for Businesses

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