



## Law Matters Newsletter

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### Alternatives to Redundancy

#### **WARNING**

The ability of an employer to use these alternatives depends on particular circumstances and on individual contracts. Get it right – take proper and detailed legal advice on your particular situation before putting any of these ideas into effect. Failure to do so may result in crippling compensation payments.

### The Trouble with Redundancy



Making staff redundant may be a sensible way to deal with economic circumstances. However, there are drawbacks

- ❖ Handled badly, leaving staff may become hostile
- ❖ Remaining staff may be demotivated
- ❖ Valuable skills can be lost – and these may not be obvious until they are gone
- ❖ Well functioning teams can be broken up
- ❖ Reversing the process in better times can be expensive and time consuming

### So what else can I do?

#### **Natural Wastage**

In other words, take no action, and pay no compensation. The drawback is that it takes time, and there is no control over who leaves or the skill set lost. Also the economic climate makes people more likely to hold onto their job. However, it is a valuable first step to consider (for example) who may retire.

#### **Cut Overtime**

This impacts differently on different groups, and may be difficult to ramp up again in better times.

#### **Early Retirement**

This supposes a solvent pension scheme, and by its nature involves the loss of experienced staff.

## Stop using temps

Bear in mind that some “temps” may be counted employees, and that compensation may be necessary for breach of contract.

## Retraining/redeployment

Provided there is work to be done, this is more cost effective than paying compensation and subsequent recruitment and induction costs. There is the additional advantage that the firm knows the employee's character.



### Pay cut

This is fraught with difficulty, but possible. Staff may subsequently want the pay cut made up.

### Reduced Hours

As with a pay cut (with which it should sensibly be combined) this is difficult.

### Job share

Essentially this is reduced hours for two.

## Temporary paid or unpaid leave

Admittedly of particular relevance to large industrial plants, this can still aid smaller organisations. There may be an element of advantage to the employee, for example of spending time with children and saving child care costs, or alternatively of studying for additional qualifications. The utmost care is necessary to avoid any element of discrimination.



## Voluntary Redundancy

Many firms will be limited to statutory redundancy pay, and the days of substantial payments are gone (particularly given the position of many pension funds). However, this step may still be attractive to those approaching retirement or anyone intending to change career direction. Once again, there is a danger of unplanned losses, particularly of experience and drive.

## Summary

Any steps to reduce staff costs depend on a business assessment of the effect of the current climate on the individual business, and crucially the timescale for an upturn. There are, however, alternatives to compulsory redundancies, which need to be considered in individual cases, subject to appropriate legal advice.

This note is written as a general guide only, and is not applicable to every firm or circumstance. It should not be relied upon as a substitute for specific business or legal advice.

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