



## NCVO WORKFORCE DEVELOPMENT

### *Surviving the recession – alternatives to redundancy*

#### *Introduction*

Few voluntary and community organisations will escape the effects of the current economic downturn unscathed. We can all expect to tighten our belts, with voluntary giving affected and statutory funding at risk.

It is not surprising that the first cost-cutting option that may be considered is to make redundancies. This may indeed be the most appropriate course of action, but it makes sense to review other possible options.

This factsheet outlines:

- the case for considering alternatives to redundancy, where possible;
- the range of alternatives you might consider;
- where you can find out about the correct procedures if you do need to make redundancies;
- sources of further information.

#### *The case for considering alternatives to redundancy*

- If you can keep skilled staff, you won't need to re-recruit later when the economic climate improves. Re-recruiting is expensive, in terms of advertising, management time, induction and training costs.
- Making staff redundant is also not free of costs – if employees have two years service or more, you will need to pay statutory redundancy pay at £350 per year of service, or the employee's actual pay, whichever is lower. Employees aged 43 or more are entitled to more than this. See the BERR redundancy calculator at <http://www.berr.gov.uk/whatwedo/employment/employment-legislation/employment-guidance/page33157.html> to work out how much statutory redundancy pay will be. You may also have a contractual redundancy scheme which provides for more generous payments than the statutory scheme.

- The impact on staff that remain can be high – staff may feel unsettled and morale may suffer.
- There is of course also is the human cost; no one wants to go through the distressing process of redundancies, if it can be avoided.

## *The range of alternatives available to you*

The KPMG and CIPD quarterly labour market outlook survey for the winter 08-09 found ample evidence to suggest that employers across all sectors are looking at various options to stave off redundancies.

Here are some options you might consider:

**Consult.** Ask the views of your staff, staff council or trade union – they may have some good thoughts about how the organisation could run more efficiently and save costs. Involving them also demonstrates that you value their thoughts.

**Reduce agency workers.** In times of tight finances, review whether you can reduce the use of freelance and agency staff.

**Remove overtime.** If your organisation pays overtime, removing it is a simple way to cut staff-related costs.

**Freeze recruitment.** Instead of recruiting, consider (where possible) training up your existing staff to take on the required work. Offer vacant posts as an alternative to redundancy, after appropriate consultation.

**Freeze pay.** A pay freeze is likely to be preferable to jobs being lost. The KPMG/CIPD survey outlined above found that one in eight (13%) employers had no intention of carrying out a pay review this year.

**Cut pay.** If you need to, you could consider negotiating a pay cut with employees. You cannot do this without the express agreement of each of your employees and without a really clear business case, so take advice on this matter. You'd need to specify whether the pay cut was intended to be permanent, or for a specific period, eg 6 months. If you are considering this route, make sure the pay cut applies at senior levels too. At junior levels, bear in mind that the impact of a pay cut may be greater on the individuals concerned and that you still need to comply with the National Minimum Wage.

**Reduce hours.** You could agree with your workforce, or some individuals, to reduce hours (and therefore pay as well) for a specific period. Again, this is not something that you can impose, unless there is a contractual right to reduce hours. You would need to discuss with employees the reasons for your proposal, how long the reduced hours would last and you would need to obtain the agreement of each employee. Part-time working may well be preferable to being redundant.

Make sure you confirm what is agreed in writing, as a temporary or permanent variation to the contract.

You might take an approach similar to KPMG, a professional services firm. KPMG has launched a scheme, called Flexible Futures. Staff may sign up to the scheme. Once they have signed up, the scheme allows KPMG to request that a member of staff works a four day week or takes a sabbatical of between 4 and 12 weeks pay

at 30% of their pay. There is protection in the scheme, so that in one year, the employee would not receive less than 80% of full pay and full employment benefits would be provided during that period.

**Implement lay-offs or short-time working.** Unlike an agreement to reduce hours (see above), lay-offs (where an employee is not required to come in on specified days), or short-time working (reducing the working week) are *not* variations to the employment contract. They apply where there is *already* a clause in the employment contract to allow for lay-offs or short-time working, or where there is an agreement between the organisation and the union.

In these circumstances, as an employer, you will need to pay a guarantee payment, for the first five days of lay-off or short-time working. The maximum statutory guarantee payment is £20.40. Further information about lay-offs and short-time working can be found at the Business Link website at [www.businesslink.gov.uk](http://www.businesslink.gov.uk).

**Tap into your reserves.** More than half of charities affected by the recession have dipped into their reserves, according to a survey by the Charities Aid Foundation. Unlike many businesses, charities may run on a policy of reserves rather than on borrowing. Now may be the time to take a longer-term view and use some of your reserves, assuming there is agreement from all trustees of the organisation and subject of course to financial advice. Using reserves shouldn't be an alternative to seeking appropriate cost savings, though, or a means of avoiding tough decisions.

**Offer sabbaticals.** You could offer a period of unpaid leave. Some employees may even welcome a period of time off, knowing that they will still have a job at the end of the period.

**Redeployment.** Can you use the recession to develop the capacity and skills of your organisation? Could you move staff from quieter areas of your organisation (if there are any!) to cover needs elsewhere, to help keep staff motivated and save the costs of recruitment? Consult with your staff team and see what is possible.

**Cut training costs.** Don't just assume that a cut in the training budget has to mean a cut in the amount of learning and development going on in your organisation. Now might be the time for some creative thinking about different and cost-effective ways of promoting employee learning and development.

## *Communication and consultation*

Whatever option you are considering, make sure you consult and communicate with your employees. They may have other ideas, and getting them involved will help to maintain morale and commitment.

Remember also your long-term reputation and responsibility to act as a fair and sympathetic employer. Be aware of the pressure on your line managers in particular to operate in times of difficult change and make sure they are equipped to deal with difficult situations.

## *What to do if you need to consider redundancies*

It is sensible to develop a strategy for redundancy so that it is there when you need it. Make sure you understand the law, have thought about things in advance (at least three months before you anticipate redundancies may take effect) and establish a procedure to be used. In particular, make sure you consult about redundancies and use fair and objective selection criteria.

There are a number of legal obligations you will need to follow if you are contemplating redundancies amongst your workforce. Have a look at the following sources of information:

- the Good Guide to Employment, published by NCVO. The Guide contains a chapter on managing redundancy.
- the ACAS advisory booklet, 'Redundancy Handling', available from [www.acas.org.uk](http://www.acas.org.uk).

## *Further information*

*Managing in Recession*, produced by ACAS and the CIPD. You can access this publication at <http://www.cipd.co.uk/subjects/emplaw/redundancy/hwmngwrfrcs.htm>.

KPMG and CIPD quarterly labour market outlook survey, winter 08-09, available from <http://www.cipd.co.uk/subjects/hrpract/hrtrends/qtrends.htm>.

Wendy Blake Ranken  
HR Consultant  
[wendy@blakeranken.clara.co.uk](mailto:wendy@blakeranken.clara.co.uk)