

Managing Staff In An Economic Downturn

A guide to downsizing

ACE HR Taskforce

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This guide is for employers and their managers who might be considering downsizing or reducing staff due to a downturn in their business.

Think before downsizing:

Contact the ACE Business Helpline 0845 450 1980 – it is there to help you.

- a. Is there another way? Redundancies are far more expensive than the redundancy payments alone due to destabilisation. It may manifest in some or all of the following:
 - i. Potential disengagement of survivors – the “I am leaving but I have not told you yet” scenario
 - ii. Fear or guilt that some survivors have, which saps energy, engagement
 - iii. Anger that some survivors can have and the damage that angry survivors can create around the business unit which is destructive
- b. This is all worst case scenario being painted, and handling redundancies carefully can mitigate the situation.

Talk to your teams about facing tough choices:

- c. Don't assume that redundancy is the only option. There is a suite of options.
- d. Be open with your teams about the challenges you are all facing – make it a joint challenge. Suggest to them the options available to cut costs:
 - i. Target agency workers first. Legally and morally it's the right thing to do, and you build resentment amongst employees if they or their colleagues are chosen and agency workers are left in place
 - ii. Reduced working hours for some or all – going to part time working
 - iii. Sabbaticals – unpaid leave for at least 6 months, though be sure to point out that pensions cannot extend to a sabbatical that is more than 3 months' duration. No guarantee for work after the sabbatical – that's just life
 - iv. Reduced salaries by all, if they all want that to save their colleagues' jobs
 - v. Redundancies. See below
 - vi. Invite other solutions (you might be surprised and pleased at the solutions suggested)
- e. Inviting one or two of them to represent the group is preferable if your group is big
- f. Remind them that whatever solutions they bring have to make tangible and workable differences to the bottom line
- g. Tell them that the decision will be made in full disclosure with the team after considering all the options available and suggestions from the team and that you expect their support, and a positive attitude to implement the decision.



Treat everyone like adults:

- h. Everyone can cope with the truth if that's what they are getting. What they cannot cope with is indecision and half truths. That makes them nervous and they lose faith in you as a manager.

Don't frighten people:

- i. You are not closing down! You are taking prudent measure to limit the company's exposure. You are responding to needs led by clients. If that forces some posts to go, then you need to respond to that.

If you have to make staff redundant, remember:

- j. It's the post that is redundant, not the person. Choose the post(s) to be made redundant, and the rest follows.
- k. Take advice from the ACE Business Helpline. Do not think you have to do this alone – you have a team behind you.
- l. Explain that the other options will not deliver the required savings. The reasons could be:
 - i. Unclear benefits
 - ii. Too difficult to manage
- m. Avoid involving the whole business unit unless you are making many posts redundant that would have to include the whole unit.
- n. Tell the pool why redundancies are indicated.
- o. Limit the activities related to redundancy to as small a group as possible (called a "pool"). Yes, you have to consult, but you don't have to consult with the whole group. Just the relevant pool.
- p. Decide which posts will be made redundant and draw up all those individuals who are connected to those posts (a pool). This pool will be defined by skill sets and career levels, but don't be too rigid on career levels – several career levels can be seen by employment tribunals as being relevant.
- q. Use the below desk top study to help you choose the appropriate people for redundancy. The desk top study takes into account attitude, behaviour, and other aspects as well as technical skills – this holistic approach is important, as very often it's the attitude of people that makes or breaks success – you don't want to lose the best and keep the rest. The desk top study is important because:
 - i. You should be taking the opportunity to know who your good people are, and working hard at keeping them.
 - ii. Similarly, you should know who your Performance Improvement Plan People (PIPPs) are and improve or remove. You don't have time to carry them.
- r. Tell the group that you are undertaking this desk top study – and that you are happy to share the criteria. If anyone asks for their scores, they can have them, but they cannot see the scores of others as this would breach the Data Protection Directive.
- s. Throughout the redundancy process
 - i. Tell the pool why redundancies are indicated and other solutions are not being chosen.
 - ii. Act decisively
 - iii. Don't be apologetic or diffident
 - iv. Be clear and direct, factual and frank
 - v. Be empathetic but not patronising



- vi. Never make a decision based on kindness. This is false kindness which prolongs the agony and creates untold problems for you, your team and the individual. The kindest thing to do is to make the right decision, and make it decisively and quickly. Be honest, frank, but sensitive. You can be sensitive without being indecisive.
- vii. The news is far worse for them than it is for you – avoid phrases like “I know this is hard for you” – nobody knows how another is feeling and it trivialises how the employee is feeling. “This was a hard decision for me” – this isn't about you – it's about them – and to make it about you demeans the situation.

The Redundancy Process

Redundancies are costly to the Company and to everyone concerned - those being made redundant and those surviving the experience, including the managers. The expense goes way beyond the costs of pay out, but affects productivity, morale, and individuals' well being. And yet, many times they are seen as the first action to take. The result is often the loss of the best people as they see the writing on the wall and get other jobs - easily - because they are the best, and keeping the worst people because they are not going anywhere and will at least do some sort of job at the end of the day and are seen as better than nothing.

Redundancies are not to be taken lightly, therefore, and a process has been defined to help you through the maze of downsizing. The process includes:

- Restructure, Reallocation before Redundancy - the 3Rs. Managers can use the 3Rs to manage the whole process of downsizing
- Creating Awareness and At Risk lists which define activities to assist employees in finding other jobs
- Scoring Grids to help select for redundancy, used with those on the At Risk lists
- Redundancy process including consultation which defines the activities that need to take place to bring a redundancy to a conclusion,
- HR support, working closely with the ACE to bring about the right outcome for all parties with minimum of impact

1. What are the Awareness and At Risk lists?

- The Awareness List is the list that allows the Company to know which employees may need to be found other jobs, and gives time to allow the company to Restructure, Reallocate or to search for potential alternatives before Redundancy
- The At Risk List is the list that contains employees who will be facing reallocation or redundancy

2. When should an employee go on the Awareness list?

- When the downturn of work (or work the company is expecting has not been won) is enough to cause concern.
- Ideally employees should still have a minimum of 3 months work available

3. How should employees be chosen to go on the Awareness list?

- As a principle, no employee should be made redundant whilst keeping an agency worker on who is doing a similar task. That is both unsupportive of employees, and is inadvisable
- Agency workers will be released first to protect employees and all Business Units in a company should give priority to employees over agency workers, moving employees around if this is practicable. Business Units will need to support each other in this, helping to alleviate the situation.
- An employee who fills a role that is being made redundant or is likely to be made redundant should go on the Awareness list
- If the role at risk can be done by more than one person then all those people will be included on the awareness list and included in the desk top study which allows for a fair comparison demanded by the employment tribunals.

4. When does an employee go from Awareness to At Risk?

- When the downturn of work is now causing significant concern and there is now limited work available going forward.
- When the need to redeploy or make redundant becomes more relevant

5. What happens next?

- The Manager should conduct a desktop study using criteria from the company's selection criteria grid available below which will provide a score to be used as appropriate when considering for redundancy. If necessary managers will commence consultation with affected employees.
- This consultation will start within two weeks of moving to the At Risk list.
- The purpose of the consultation is to give the opportunity for someone
 - to take voluntary redundancy
 - to explore other avenues that may not have presented themselves to the Manager in the investigation for deployment

Note:

- Candidates with high scores derived from the Selection Criteria Grid will not normally be selected for redundancy, though all candidates will be informed of the desk top study, and have the right to see the selection criteria used for them. They do not have the right to see comparisons with other candidates, and neither should they be shown this comparison, as it will breach the rights of the other candidates
- During consultation those with high scores will be told that they are in the pool, but that unless they wished to be considered for voluntary redundancy they would not be selected.
- Those with low scores will be told that their employment in that role is at risk, and alternative employment sourced by the Managers can be discussed at this time, as well as other avenues.

6. How long does consultation last?

- Minimum of 30 days however employees will still be entitled to their full notice period after consultation has taken place

7. There are several tabs attached:

- Employee attendance list, to be used for the initial consultation
- Notes for guidance for the selection criteria grid
- Selection Criteria Grid, to be completed by the Managers or Delegated Personnel
- Employee consultation discussion form, to be undertaken by the Managers or Delegated Personnel

The timeline

	Awareness		At Risk		
			Week 1&2	Week 3	Week 4
DETAIL					
- Awareness list					
- Managers look for alternative employment					
- At risk list					
- Desk top study					
- Consultation exercise begins after results of desk top study are known					
- High scoring candidates are informed of the desk top study and that there is no plan to select for redundancy					
- Low scoring candidates are informed of desk top study and that they					
- alternative employment is found and employee is reallocated					
- no alternative employment is found. Employee made redundant					

Guidance Notes for Scoring Grid

The Selection Criteria Grid is a desk top study of all candidates at risk of redundancy to provide fair and discoverable (provable) information on the selection for redundancy. Each score sheet will relate to one post being made redundant, which will typically involve several people to be considered in the process.

- Where the post could be done by people at several Career Levels then all those should be included in the Selection Criteria Grid. ACE Business Helpline will guide you.
- Where the Business units are small and there are not enough people to use the Career Levels then categorisation will be made to accommodate the particular circumstance. ACE Business Helpline will guide you.

Populating the grid

- You will find that the Selection Criteria Grid has columns for criteria to enter data for rows of candidates for the desk top study
- There are 10 categories which must be completed, two of which will be treated separately: Disciplinary and Current Estimated Potential (CEP)
- -To include Disciplinary, the Disciplinary action must be current and on record. It will not include any investigations that resulted in no action. Nor will it include expired disciplinary issues.
- To include Current Estimated Potential you should consider the potential Career Level that an employee could achieve in the future. CEPR (CEP Reached) means that the individual is likely to remain at the current Career Level. A estimated potential of one or two Career Levels higher shows advancement capabilities. An estimated potential of three or more shows significant advancement capabilities. The important exercise here is comparisons between the candidates.

For most categories

- For each of the 8 categories enter the desired level of competence in the blue column. This will be the same figure for all candidates. Rate importance 1 - 5, with 5 being critical importance and 1 being a basic need.
- For each of the 8 categories enter capability for each candidate in the white column. This will not necessarily be the same figure for all candidates. Rate capability 1 - 5, 5 being consistently above expectation, 1 being consistently below expectations. Reference to Performance Track scores would be appropriate at this state, if they are available.

Disciplinary category

Disciplinary should be marked as following:

- Verbal warning -3
- Written warning -4
- Final written warning -5

Current Estimated Potential (CEP) category

CEP should be marked as thus:

- CEP Reached 1
- Potential for 1/2 career levels more 2
- Potential for 3+ career levels more 3

Worked example for a CAD Technician post, Career Level 2

	Criteria	Experience	Experience	Skills	Skills	Qualifications	Qualifications	Performance	Performance	Attendance	Attendance	Timekeeping	Timekeeping	Can-do Attitude	Can-do Attitude	Location	Location	Current Estimated Potential	Disciplinary Action	Total	Total
	Criteria	Needed	Available	Needed	Available	Needed	Available	Needed	Available	Needed	Available	Needed	Available	Needed	Available	Needed	Available	Please see notes for guidance	Please see notes for guidance	Needed	Available
	Needed	3		4		2		3		3		3		4		4				26	
Candidates																					
	Candidate 1 - enthusiastic, eager		2		2		4		4		4		4		4		4	2	0	26	30
	Candidate 2 - experienced, careful		4		4		2		3		3		3		3		3	1	0	26	26
	Candidate 3 - experienced, mediocre		3		2		2		2		2		2		2		4	1	-2	26	18

- Candidates with high scores on the Selection Criteria Grid will not normally be selected for redundancy, though all candidates will be informed of the desk top study, and have the right to see the selection criteria used for them. They do not have the right to see comparisons with other candidates, and neither should they be shown this comparison, as it will breach the rights of the other candidates
- During consultation those with high scores will be told that they are in the pool, but that unless they wished to be considered for voluntary redundancy they would not be selected.
- Candidates with low scores on the Selection Criteria Grid will be told that their employment in that role is at risk, and alternative employment sourced by the Managers can be discussed at this time, as well as other avenues. Letters will be issued at this stage.

Consultation Discussion Form

Employee Consultation Discussion Form
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To be completed for each individual with whom consultation has been opened (complete sections in top box only where applicable)

Name	
Employee No	
Business Unit	
Current Position	
Career Level	

Meeting 1. Consultation Discussion			
Date of Meeting		Venue	
Line Manager		HR Representative (if available)	
Employee representative			
Date for next meeting		Remind of right to representation	<input type="checkbox"/>

Consultation Discussion Content – Line Manager to cover following areas (see script for guidance)	
Check &/or complete details in the top 2 boxes	
Introduce those present	
Confirm right to representation	
Explain principle of consultation	
Explain time scales for process	
Cover rationale for business decision (your reasons for employees being placed on the awareness and / or at risk lists)	
Explain application & selection process & timescales	
Give details of alternative positions within the organisation if applicable	
Explain notes/completion of form for both parties	
Explain redundancy calculation & give a copy	
Agree date for next meeting	
Check understanding of the above points	
Check if employee has any questions/points or concerns to raise/information required	

Notes/Comments During Discussion (Notes to be taken by employer representative during discussion and filled in space provided)
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Specific impact on employee e.g. role redundant	

Consultation Discussion Form

Introduce selection process

Explain alternative positions and seek ideas from individuals	Attach current vacancy list to this form

Questions raised & answered/Comments made issues & concerns raised and answered (please ensure notes are taken)

Actions/Questions to be answered/information required and Points raised for consideration (please ensure notes are taken and feedback given by next meeting)

I confirm that this is an accurate record of the meeting

Signed by Line Manager
Print Line Manager's Name

Signed by Employee
Print Employee's Name

NB: Please photocopy immediately meeting ends and hand copy to employee to take away or if no photocopier – ensure that copy sent to employee as soon as possible.

Consultation Discussion Form

Meeting 3. Consultation Discussion			
Date of 2nd Meeting		Employee	
Date of this Meeting		Line Manager	
Employee representative		Company Rep.	
Date for next meeting		Remind that they may have representative <input type="checkbox"/>	

Consultation Discussion Content – Line Manager to cover following areas (see script for guidance)	
Seek and listen to feedback on:	
Proposed structure and roles	
Roles applying for	
Seek further questions/issues	
Feedback on information sought in meeting 2 and actions as a consequence of proposals giving rationale	
Discuss outcome of redundancy selection process	
Show copy of selection criteria scoring matrix and criteria (where applicable)	
For those staying agree next steps - <ul style="list-style-type: none"> Offer of alternative employment / trial period Accepted/Rejected Reason 	
For those who continue to be at risk of redundancy - <ul style="list-style-type: none"> Alternative roles - Vacancy list will be circulated regularly. Formal notice will be issued later, dependent upon individual leaving date. Date of leaving to be discussed. Explain when this will be finalised. 	
Discuss working notice. Time off for outplacement/job interviews	
Discuss appeals procedure	
Check understanding of package, pension arrangements, outstanding holiday pay etc	
Next steps/time scales/lf further proposals raised then agree date for next meeting	
Notes/Comments During Discussion	

I confirm that this is an accurate record of the meeting

Signed by Line Manager
Print Line Manager's Name
Signed by Employee
Print Employee's Name

NB: Please photocopy immediately meeting ends and hand copy to employee to take away or if no photocopier – ensure that copy sent to employee as soon as possible.

Example Employee Briefing

Good morning/afternoon, the reason we have called you here today is to talk about some changes that will be necessary in our Business Unit. We have been reviewing our current situation with regard to workload and staff numbers and we need to now make you aware of the results of these review meetings. We have been looking for ways to re-deploy people and where possible this will obviously be our preferred option. Your manager / supervisor had been involved in meetings to look at options and we have come to the conclusion that hours need to be lost from the following places. If you feel you have any ideas or initiatives we will be happy to look at these options before making any decisions. When all options have been discussed and / or exhausted the company will be arranging individual consultations with employees who may be affected by redundancies. If there are a number of employees affected we may need to go through an assessment exercise to determine which people are most at risk. This will be carried out fairly and will be done on specific criteria.

Where possible we will endeavour not to make any individuals redundant in this exercise and I would like to emphasise that to you. Once we have determined which employees will be affected we will embark on a consultation period. We will aim to communicate with you openly and honestly throughout the whole of this exercise and I would be grateful if you could do the same. I would like to issue you with an individual letter detailing what has been discussed here today and take any questions that you may have?" .

Redundancy payment crib sheet

To be completed for each individual with whom consultation has been opened (complete sections in top box only where applicable)

Name		Basic Annual Salary				
D.O.B		Bonus Payable	Yes	No		
Continuous Start Date		Company Car or Car Allowance	Yes / No	Allowance £		
Business Unit		Pension Scheme Membership		Yes / No		
Current Position		Private Health Cover		Yes / No		
Career Level		Holiday	Outstanding	Overtaken		
Other benefits						
	STATUTORY					
	Statutory Redundary pay	# of years	Weeks pay per year	Factor	Redundancy Entitlement	
	no. of years aged 18-21 x 0.5 x £330		0.5	350		
	no. of years aged 22-41 x 1.0 x £330		1	350		
	no. of years aged 42-64 x 1.5 x £330		1.5	350		
			SubTotal of Statutory pay			
	CONTRACTUAL		Annual Gross amount	Notice in Months		
	Contractual pay (as per Company Handbook)					
	Contractual Pay: Car					
	Contractual Pay: Pension					
	Contractual Pay: Life Assurance					
	Contractual Pay: Medical					
	Contractual Pay: Permanent Health					
			SubTotal of contractual pay			
			Total of statutory and contractual pay			
	Contractual Pay: Holiday					