

Voluntary Redundancies

In order to limit the negative impact created by instigating a redundancy programme, many employers use voluntary redundancy as a first attempt to reduce labour costs. However, this can be more expensive for the employer as voluntary redundancies often come with enhanced redundancy payments, encouraging longer serving employees to volunteer.

Consultation

All employees affected have the right to a period of consultation. This can be a lengthy process where more than 20 employees are likely to be made redundant; 30 days, rising to 90 days where 100 or more employees are affected. However, where there are less than 20 employees affected, best practice suggests a period of between 48 hours and one week meaningful consultation is sufficient.

Consultation is designed to give both the employer and employees affected the opportunity to consider various options, including how they might avoid a redundancy situation. Therefore the information that should be shared with employees includes;

- The reason for considering redundancy
- Whether voluntary redundancy will be offered with enhanced payment
- The employer's right to refuse voluntary redundancy applications
- The proposed selection criteria should more people volunteer than necessary
- How the next stage redundancy process will be implemented should no, or too few people volunteer for redundancy.

Where there is Union representation, consultation must first take place with the Union Representative, who will then meet with members. However, further collective and individual consultation must also take place with employees who are not members of the Union.

Termination of Contract

At the end of the consultation period, those who have volunteered for redundancy will be graded against the selection criteria to determine which jobs are to be lost. The employees will be invited to attend a meeting to discuss the termination of their contract of employment. Notice will be given at this stage, which can be paid in lieu of them working their notice period. An alternative is for the employee to go on 'garden leave' for the duration of their notice period.

The tax free redundancy payment, and payment in lieu of notice is generally paid to the employee on their final day of work. However, where there are severe financial difficulties it may be possible to agree a payment structure.

Action Plan:

1. Identify which areas of the business you need to reduce labour headcount.
2. Decide whether to apply a financial incentive to encourage voluntary redundancy applications, and calculate the impact this might have on the business.
3. Prepare a draft selection criterion for choosing between volunteers, and/or for use later during possible compulsory redundancy.
4. Prepare the consultation notice, and how this period is to be implemented.
5. Ensure you follow statutory dismissal procedures when terminating contracts of employment.

Remember:

Redundancy is a complex issue therefore it is always best to seek expert advice regarding your own specific situation before embarking on a redundancy programme.