

Guidelines – Managing Redundancies

Introduction

Cambridge HR Solutions provides advice and guidance to organisations big and small in the private, public and third sectors on all HR matters.

These guidelines¹ are intended to help managers navigate the sometimes complex world of HR.

Managing Redundancies

Managing redundancies is a lot less complex than many managers may think. The purpose of these guidelines is to demystify the subject and describe the practical and legally compliant steps you should take if you are considering making an employee redundant.

1. Business Rationale

You may make an employee redundant for **any** reason. An employment tribunal will not challenge your reasons, only that you operated within the law, and your own procedures where they exist. The most common reasons for considering redundancies include the following:

- New technology
- Loss of sales, markets or contracts
- Need/wish to reduce costs
- Up-skilling of staff means more can be done with fewer.
- Relocation
- Reorganisation

The procedure for managing redundancies of **less than 20 people** is described next:

2. Preparation

Gather your facts – Clarify the reasons why you are considering making an employee redundant so that you can use in subsequent letters to, and meetings with, your employee.

Disclose information – you are not obliged to disclose commercially sensitive or personal and confidential data to an employee, but you should give them enough information to allow them to engage in a meaningful consultation with you.

Determine selection criteria – you should use a fair and objective way of selecting employees for redundancy. Commonly used methods are:

- last in, first out (employees with the shortest length of service are selected first);
- asking for volunteers (self-selection);

¹ These are for information only. We therefore regret that we cannot be responsible for any loss you may suffer as a result of any omission or inaccuracy, and we encourage you to seek advice accordingly.

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- disciplinary and attendance records; and
- staff appraisals, skills, qualifications and experience.

3. First Letter

The first consultation letter invites your employee to a first consultation meeting and may be presented in the form attached at Appendix A – First Consultation Letter (Example)

4. First Meeting

You should prepare carefully for this meeting, ensuring you have all the information to hand before it starts, including:

- The reasons why redundancy is being considered.
- What alternatives may be available, including working different hours, transferring departments, job sharing, becoming a contractor etc.
- The financial and other consequences of redundancy including:
 - when notice will be served, and final date of employment;
 - statutory redundancy pay (SRP);
 - any company enhancements to SRP;
 - how the balance of holiday pay will be treated;
 - pay in lieu of notice (if applicable);
 - garden leave (if applicable);
 - return (or retention) of company property; and
 - continuing contractual obligations during the notice period and after employment.

The tone, content and outcome of this meeting will determine whether you have engaged in the consultation process in a **fair and reasonable** manner - so the importance of getting it right cannot be over-stated.

5. Second Letter

The second letter to your employee confirms the content of the first consultation meeting and should include the financial and other arrangements in the event of redundancy taking place.

It is important this letter does not hint that a final outcome has already been determined, since to do so would suggest the consultation process has not been undertaken in **good faith**, and you may be found later to have acted unfairly – leading to a claim for unfair dismissal.

See Appendix B – First Consultation Letter (Example)

6. Final Consultation Meeting

Conduct the final consultation meeting in a spirit of openness and collaboration, and allow your employee to present their ideas freely. You should consider and discuss these constructively, and if you need more time to come to a conclusion, then make it. When you have concluded your consultations, and are ready to issue a letter of dismissal (if it comes to that), then the form attached at Appendix C – Letter of Dismissal (Example), may be used.

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7. Timings

There are no prescribed timescales for redundancy consultations, but our advice is that they should be completed in a time which ensures **all** employees are treated reasonably and fairly – which means taking in to account the potentially disruptive impact this process may have on others.

8. Other Considerations

Selection Criteria

These guidelines are necessarily brief, and advice and guidance about selection criteria and making more than 20 employees redundant is available from [us](#) or on-line [here](#).

Off-the-record discussions

Managers (and employees) may wish to have “off-the-record” discussions at any stage of the redundancy process, and this may be allowed, but only if the following protocol is followed.

You should stop the “on the record” discussion by asking your employee, “Would you like to have a without prejudice discussion?”, to which the employee must affirm their acceptance if one is to take place. If both parties agree then you should say “The following discussion is now without prejudice”.

A “without prejudice” discussion allows both parties to talk candidly. The details shared or agreements made during this time can not be relied on later (in any forum) to either party’s advantage or disadvantage. That is the purpose of it being without prejudice.

At the end of the without prejudice discussion (which should be confined to only one or two points), you should say “That concludes our without prejudice discussion, and what follows from now on will be on the record and an open matter”.

It is good practice that a record of the meeting be made, including the content of the without prejudice discussions.

Statutory Redundancy Pay

You can calculate an employee’s SRP [here](#).

For more information, or if you have any questions, do please [get in touch](#).

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Appendix A – First Consultation Letter (Example)

Employee's name and address

Date

Dear Employee

Invitation to a first consultation meeting

As you will be aware ABC Limited is continuing to feel the consequences of the current economic downturn and we are anticipating on-going difficulties deploying staff profitably in all areas we operate in.

*Regrettably, due to pressure on our costs, changes in our sales and marketing strategy, and the need to remain efficient, I am considering a restructure of your department. This could result in a reduction in the number of our head office and field-based employees. I am therefore concerned that we may not be able to maintain your contract of employment beyond **DD/MM/YYYY**.*

*I would therefore like to meet with you please to discuss the situation at **HH:MM hours** on **DD/MM/YYYY** in my office. You may be accompanied at the meeting by a colleague if you wish.*

The purpose of the meeting will be to consult with you regarding:

- the reasons why your employment may come to an end;
- whether you believe that your employment could be continued and, if so, how;
- what alternative work may be available; and
- the consequences for you if your employment cannot be extended.

No final decisions about your future employment will be made until you have had the opportunity to express your views on the situation, and I have had a chance to consider all the available information and possible options.

If you and your colleague are unable to attend this meeting please let me know as soon as possible so that I can arrange an alternative date and time.

If you have any questions please do not hesitate to contact me.

Yours sincerely

First Name Surname

Job Title

Appendix B – Summary of First Consultation Meeting (Example)

Employee's name and address

Date

Dear Employee

Summary of first consultation meeting

*Thank you and your colleague **first name surname** for attending our meeting on **DD/MM/YYYY** with your colleague **First Name Surname**.*

This letter serves to record the main points of that meeting, which were to outline:

- the reasons why a restructure of your department is necessary;
- why your employment may come to an end;
- whether you believe that your employment could be continued and, if so, how;
- what alternative work may be available; and
- the consequences for you if your employment cannot be continued.

I explained our financial position, and our need to improve the deployment of our head-office and field based teams. Although we continue to monitor and control costs across all parts of the business, and some savings have been made, we still need to consider our overhead costs.

*The main purpose of our meeting was to begin the process of consulting with you about how we might avoid making your role redundant by otherwise reducing our costs. This will last from **DD/MM/YYYY**, until **DD/MM/YYYY**, at which point a decision about your role will be made.*

Thank you for your constructive engagement with the process. We have received some positive suggestions about how costs might be reduced, and sales revenue increased. These might help our financial situation and reduce the possibility of redundancy, and I will give this further consideration.

As discussed, I hope you will continue to give thought as to how we might avoid the need for redundancy during the next week, and I am available if you wish to discuss anything with me.

Redundancy Payments

*I would like to confirm that if you are made redundant you will receive **X month's/weeks'** notice and continue to be paid during this time.*

*This could mean that if we served notice to terminate your employment on **DD/MM/YYYY** your last working day would be **DD/MM/YYYY**.*

*You would also qualify for **£XXX.XX** Statutory Redundancy Pay, which is based on your years of service, age and salary:*

- **X years £XXX.XX (SRP maximum) = £XXX.XX**
- *Other payments (as appropriate)*

*We will have a further meeting on **DD/MM/YYYY** at **HH:MM** hours at **venue** when you will again be welcome to bring a colleague along.*

If you have any questions in the meantime, please do not hesitate to contact me.

Yours sincerely

First Name Surname Job Title

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Appendix C – Letter of Dismissal (Example)

Employee's name and address

Date

Dear Employee

Outcome of final consultation meeting

Following our meeting on DD/MM/YYYY I regret to confirm that the decision has reluctantly been taken that your position with Company Limited is to be terminated due to redundancy.

As you have been informed, this is the result of a review of the number staff in your department and the on-going economic climate within which we operate, and the consequent need to reduce staff costs where we can.

At our meeting on DD/MM/YYYY we discussed alternatives to redundancy. You made some very helpful suggestions, but regrettably they were insufficient to meet our urgent need to reduce costs.

This letter constitutes our formal notice to you that your employment will terminate by reason of redundancy. Your employment with the Company will end on DD/MM/YYYY. During your period of notice, you will be required to work normally, although you will be allowed reasonable time off work to attend interviews which will be paid.

- *X years £XXX.XX (SRP maximum) = £XXX.XX*
- *Other payments (as appropriate)*

You have the right to appeal against this decision, and if you wish to please submit it to me in writing by DD/MM/YYYY.

Finally, I would like to thank you for your service to the Company and to wish you every success for the future.

Yours sincerely

First Name Surname

Job Title