

2 Apr 2020 - Dr Madeleine Petzer

# Coronavirus and the workforce: how can we limit redundancies?

Dr Madeleine Petzer advises on ten actions to take to try to avoid job losses

Redundancies and restructures are nothing new. The strategy of reducing headcount to reduce organisational costs is familiar to many organisations. Prior to the outbreak of COVID-19 in the UK, many organisations, including William Hill, Centrica and Jaguar Land Rover, had already announced large scale redundancy plans. Unfortunately, with the coronavirus pandemic outbreak and the negative impact on our economy, we are faced with mass redundancies across the globe. These are unprecedented times, that require specific measures to safeguard jobs, where possible.

Following the outbreak of coronavirus, the airline industry was the first to announce redundancies. Flybe went into administration and Norwegian Air stated that more than 7,500 employees may lose their jobs. Virgin Airlines asked staff to consider voluntary redundancies. The outbreak is also heavily impacting the hospitality industry and thousands of service staff face job losses.

The government's Coronavirus Job Retention Scheme and Self-employment Income Support Scheme are hugely welcome and will save many jobs. Indeed, employees already made redundant after 28 February may be rehired to be immediately furloughed, with the government covering 80% of their wages. Nonetheless, with the schemes due to last three months and the medium and long-term impact of the coronavirus pandemic on our economy far from clear, the pandemic could still lead to mass redundancies across the globe. A new joint survey from the CIPD and People Management magazine shows that although over 50 per cent of UK employers will look to furlough their staff, one in four expect to make permanent redundancies due to the coronavirus crisis. These are unprecedented times and employers would do well to consider how they can safeguard jobs, where possible.

The end is far from sight and we should expect a snowball impact on job reductions. The UK government's economic support package will make a huge difference but for some organisations, the pain of this situation is inevitable and business closure may be the only option available. There are strong arguments for employers to mitigate redundancies where possible, not just due to this pandemic, but in general. If they can, they not only serve society better, but can also support the longer-term interests of their organisations.

## **Do not underestimate the negative impact of redundancies**

Findings on the success of redundancies mostly demonstrate that headcount reduction as a method to improve organisational performance, productivity or cost competitiveness tends not to achieve these aims, highlighting a gap between actual results and intentions. Research indicates that most companies that implement redundancies as a cost-cutting exercise fail to reap economic success.

Redundancy programmes have a negative impact on the entire workforce. Those affected include the survivors (employees who remain in the business), the victims (the employees who leave) and redundancy envoys (those who assume responsibility for activities such as the strategy, planning, process, implementation, communication and consultations associated with the redundancy programme).

Redundancy envoys describe the process of implementing redundancies as a rollercoaster of emotions, including shock, horror, anger, sadness and guilt. There is strong evidence to demonstrate that the impact of implementing redundancies is profound, leading to serious negative implications for redundancy envoys and subsequently, the organisation.

The best solution is to explore what other options are available before considering redundancies.

## **Practical interventions to consider**

Redundancies may not always be preventable, but there are undoubtedly actions that should be considered to limit or even avoid them.

### **1. Do not panic and overreact**

Many organisations suffer financial difficulties. At first instance, it is important to have a thorough understanding of the reasons behind the financial challenges. Of course, in the current situation, the reason is obvious.

Redundancies can be very expensive to an organisation, especially if it offers enhanced packages. Consider the following questions: Is the situation short-lived? What are the chances of recovery? If recovery is possible, when is it going to realise? How are your competitors coping and adapting?

Ensure you have comprehensive market research to inform the decision-making process. The worst decision to adopt is to make critical employees redundant. You will need them when the crisis is over. Consider the implications of losing employees with valuable skillsets that are already very challenging to find and retain. If rash decisions are made, how feasible would it be for you to hire talented employees back? Would they join a company that has a reputation for redundancies and that may appear to have lost credibility in the business world?

Another reason to not overreact or implement redundancies hastily is that once you make someone redundant, you cannot fill their vacancy for six months in accordance with employment law. This ratifies the point that the implementation of redundancies is a long-term strategy. If you are thinking of redundancies, consider the reality that you will be without that role for a minimum of at least 12 months. The consultation process itself could take three months, depending on the scale of the redundancy programme, before you even get to the stage of exiting the employee. Carefully consider if the redundancy costs and potential recruitment cost to replace the person in future, combined with the disruption and negative impact, balance out against the potential costs-savings. If not, it probably is not worth considering the redundancy.

We do not know how long this pandemic will impact our economy, but employers should be making contingency plans for the short and medium terms to protect the organisation and its people.

## **2. Adapt your product or service line**

Think about how you can adapt your service or products to meet demand in a different way to generate income through alternative means. A workshop or discussion group usually works best to facilitate these brainstorming sessions.

With the current coronavirus pandemic, many food service organisations face a reduction in their customer base due to limited social contact. However, people will get fed up with cooking all the time or perhaps may not want to leave their homes to go and get food. What about responding to the market needs and demands by offering a catering service that provides home delivery? Give service staff the

opportunity to deliver meals and chefs and food preparation staff can be maintained instead of simply shutting the doors.

Another option to reduce redundancies is to only address a closure in the area of business that is not producing results. For example, if there is a specific product line that is not selling but affecting the overall profit and loss of the business, address the manufacture of that product only. It may have a small, short-lived impact to save the organisation overall.

### **3. Exhaust all other measures of saving costs**

Organisations can be creative when it comes to saving costs when the going gets tough. Some examples I have come across include the reduction in non-essential travel, a reduction in company vehicles, and introducing recycling schemes to generate a financial return. If a redundancy programme is the last resort, the management team will gain far more understanding and buy-in if they can demonstrate they took other measures to reduce costs and that reducing headcount was truly the last option available.

The government's announcement of support package for businesses is a major opportunity to be taken. It is unclear how employers will respond to the various incentives that it provides, but there is no doubt that it can be used to help people keep their jobs and stem the impending rise of unemployment.

### **4. Open communication and consultation with employees**

It is easy to fall into the trap of letting senior management make all the tough decisions on how to address a business's financial problems. However, a better approach is to be transparent with business challenges and share the dilemmas that may impact the success of the organisation's future. There are two key benefits to this approach. First, you are managing employees' expectations in case a redundancy programme is inevitable. Second, an opportunity is created to feed into the ideas of cost savings as well as creating innovative thoughts around adapting new services or products. Demonstrating trust in the workforce tends to drive a sense of ownership by re-establishing a mutual goal. If the business survives, so will our jobs.

### **5. Offer flexible working**

The ultimate aim of this approach is to save costs on the salary bill. Offer options

where practical on working reduced hours, such as a reduction from 40 to 30 hours over five days. Consider offering reduced working days; such as Monday to Thursday, instead of Monday to Friday, which will have a similar effect. The benefit of this situation is that you can tailor it to the individual's needs if your business environment allows, which could result in a win-win situation for both parties. When considering flexible working or reduced hours, offer this across the board to non-essential roles. Offer these options to your most senior staff as well, rather than targeting specific groups. If any directors adopt this approach, the role modelling will reinforce the seriousness of this situation and help to build trust among the workforce and create a sense of community; 'we are in this together'.

## **6. Reducing the wage bill in different ways**

One of the first steps to take is to limit contractors as much as possible. Their costs are often substantially higher than permanent staff and work can be created for existing employees, rather than implementing redundancies. Getting rid of overtime costs, where possible, could also significantly contribute to cost reductions.

Another option to consider to reduce the wage bill is the implementation of unpaid sabbaticals or unpaid leave. A more radical alternative that will require consultation with the wider workforce is to reduce benefits, such as travel or meal allowances. On some occasions, employees have agreed to take a temporary pay cut with the rationale that less income is better than no income. Of course, these arrangements involve very carefully crafted agreements to protect both parties. The implementation of early retirement options may also be a feasible option if this aligns with your workforce demographics and employee interest. Another temporary measure is to stop or reduce the matching of pension contributions by the company for a specific time, with the intention to pay the money back when the organisation is in a more stable position.

## **7. Strong leadership and a clear vision**

The presence of a strong, charismatic leader is pivotal during tumultuous times as this presence and leadership can positively influence the morale and engagement of employees. Being able to create a strong vision for the future of the organisation is fundamental to keep the workforce motivated and committed. Charismatic leadership can create this vision which will encourage employees to make sensible compromises to their personal positions in the belief of a hopeful future for all. This can only be achieved if the leadership has the necessary integrity and established trust within the organisation. Leadership needs to be visible with a clear action plan

on what the strategic goals are to achieve the intended objectives. Once the vision is established, regular updates on progress are necessary to maintain the commitment and buy-in from employees. Employees need to understand the vision, goals and objectives of the organisation to help them appreciate their role in achieving organisational success and create an ownership culture.

## **8. Recognise and reward**

Although the availability of resources may be limited, ensure that good work, orders won, and employee commitment above and beyond expectations are recognised and rewarded publicly. This will help to build trust and belief in the ability of the business to reach its intended objectives and demonstrate the values you want all employees to adopt. If reward cannot be instant, try to link objectives and bonus-related targets specific to outcomes that will ensure the sustainability and future success of the organisation by driving the right behaviours.

## **9. Drive redeployment**

Outsourcing is often used to save costs and this drives redundancies. However, when it is time to think differently and adapt to change, it is worth considering the alternative; bringing outsourced activities inhouse. If a certain area of the business cannot adapt or be overhauled and redundancies are the only option, consider through a process of consultation if any skills in this area could be suited to other activities where job creation may be possible. Commonly outsourced functions include catering, cleaning and call centre roles. Bringing outsourced activities inhouse may be completely impractical based on skillsets, facilities and employee aptitude. However, it is still worth consideration within an individual organisational context. Think more broadly about redeployment by establishing the hidden skillsets of your workers. What else can they do? What else are they qualified for that you could utilise? What are they passionate about that may help your business success? Most employees will value the opportunities to retain a job and perhaps try to make use of a dormant skill.

## **10. Train and develop employees**

If employees feel nervous about the stability of an organisation, the most talented are often the first to jump ship. What can you do to retain them? Commitment can be shown through development opportunities and demonstrating the organisation's belief in a promising future by investing in sensible training. Bolster the organisation's confidence and motivation levels by investing in your workforce

where possible.

## **Maintain focus in uncertain times**

The current position we face is especially challenging for organisations as it is an unknown entity. We do not know how serious this pandemic will become or if it will blow over quickly. We do not know the timeframes to make adjustments for. Hopefully, it will be short-lived and the government's measures to safeguard jobs will tide us over, but the truth is, we simply do not know.

The unknown creates fear and panic. Organisations need to be as focused as possible to address this situation by being proactive. Do not wait until your business is at a point of no return. Take measures proactively and have both short- and medium-term strategies in place. Most important of all, be safe and be careful.

The CIPD has created a [coronavirus hub](#) to provide updated advice, resources and guidance to support employers and people professionals in their response.

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