Resource management: a case study of the redundancy process

Elaine Hill
Cass Centre for Charity Effectiveness
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Summary

This paper examines how the financial position of a charity led to the decision to close one of its services, resulting in redundancies for a number of employees. It explains how the charity ensured that the redundancy process complied with employment law and statutory requirements. It also highlights the importance of planning and effective communication throughout the redundancy process.

A note about the design of this publication

KnowHow NonProfit has designed this publication to be accessible for people using screen readers. The source file for this PDF has been edited in the Royal National Institute for the Blind (RNIB) Word template. As such, we have deliberately chosen to prioritise an accessible structure over eye-catching design. We believe this makes our PDFs easier to read for everyone.
Introduction

This paper examines the factors that led to the closure of one area of a charity’s services. It identifies the employment law and statutory requirements that applied to the redundancy process required by the closure and reflects on what the charity could have done differently.

Context

The board made the decision to close one of the charity’s services due to the organisation’s financial position. Changes to income and continued expenditure, together with reductions in funding streams, had resulted in diminishing reserves.

The table below shows the charity’s income, expenditure and financial reserves. The high level of income in year one was from large donations when the charity was launched and covered a three-year period of establishment. The first year also saw increased expenditure due to set-up costs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Expenditure</th>
<th>Reserves to be carried forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2008</td>
<td>£1,829,124</td>
<td>£832,743</td>
<td>£996,381</td>
</tr>
<tr>
<td>2008-2009</td>
<td>£502,058</td>
<td>£581,955</td>
<td>£916,484</td>
</tr>
</tbody>
</table>

The level of initial reserves could be viewed as too high as funds had been granted to deliver services. In this instance it was seen as good financial management as funding streams were unknown (Palmer et al 2005). There was the potential to increase funding streams but more time was needed in which to achieve this. A bid writer had been recruited earlier in the year but this was yet to deliver results.

The closure of the service allowed the current cash balance to be used to keep the remaining service open for one year rather than run two services for six months and then potentially have to close both.

The decision to close the south coast service was based on the size of the property and number of spaces it was able to offer in
contrast to the other service, which was much larger and could accommodate three more clients. The decision also took into account staffing issues for the south coast service and recent breaches in working practices.

The timing of the closure was to be with immediate effect. It would meet the statutory requirements of redundancy but be concluded within two months. The senior manager challenged the timing because as the decision was made on 28 November, members of staff would be informed just before Christmas that they were under potential threat of redundancy. The trustees would not move the starting date.

**Employment law and statutory requirements relating to redundancy**

The charity must comply with the Employment Rights Act 1996 which provides guidelines on a fair redundancy procedure (ACAS 2010). With this in mind, the charity appointed an HR consultant to ensure they followed the correct procedure.

The entitlement to redundancy payments under the Employment Rights Act 1996 falls into several categories. The category that applied to the charity at this time was:

> “the employer has ceased, or intends to cease, to carry on the business for the purposes of which the employee was employed to do”. (ACAS 2010 p4)

There should be an initial announcement to inform employees of the potential for redundancies. This is then followed by a period of consultation, with staff and union representatives kept informed of the following:

- reasons for the proposal
- numbers and descriptions of employees it is proposed to make redundant
- total number of employees of any description employed at the establishment in question
- selection of employees to be made redundant
- dismissals and how these will be made
- calculation of redundancy payments.
There are also special areas to consider, such as transfer of apprenticeships, job seeking, downgrading and offering counselling services (ACAS 2010).

Employees with two years continuous service are entitled to redundancy payments. The statutory requirements for payments are that for each complete year of service and up to a maximum of 20 years, employees are entitled to:

- for each year of service under age 22 – half a week’s pay
- for each year of service from age 22 to 41 – one week’s pay
- for each year of service at age 41 or over – one and a half week’s pay.

This information must be given in writing individually to each employee (ACAS 2010).

The Collective Redundancies and Transfer of Understandings (Protection of Employment) (Amendment) Regulations 1999 set out the requirement for various provisions, including:

- the right not to be unfairly dismissed
- time off to look for other work
- statutory redundancy payment under Employment Rights Act 1996. (ACAS 2010)

The process is also defined by the number of employees that are being made redundant. If it is proposed to make 20 or more employees redundant in a 90-day period then strict guidelines on consultation and involvement of unions apply. This involves consultancy with unions and staff throughout the process.

In the case of the charity, only 16 members of staff were made redundant. This included seven full-time workers and ten bank workers. This did not exclude the charity from consulting with staff and allowing union representatives to be present. (ACAS 2010)

As identified on the Direct Gov website, when making fewer than 20 employees redundant, certain procedures must be followed. These include:
• fair selection for redundancy
• consultation and warning about potential redundancy
• take reasonable steps to redeploy
• pay any due redundancy payments
• consider any alternatives to redundancy  (Direct Gov 2010)

The redundancy process as delivered by the charity

The redundancy process was complicated by the fact that the office base is 294 miles away from the service. Following on from the initial announcement, other personnel needed to be involved. Managing multiple diaries so that all relevant personnel were available on the same day was very difficult, as was maintaining the process once it had started.

The timing of the announcement and consultation process hit the worst winter in many years. The process followed is outlined below.

Announcement

On 2 December a senior manager made an announcement using a brief written by the trustees, explaining the reason for the potential closure and threat of redundancy.

Consultations

Group and individual consultations were held on 8 December, with further individual consultations taking place on 15-16 December. All clients were moved to one of the other services and all staff placed on gardening leave.

A trustee consultation was held on 23 December. No staff attended despite this meeting being requested by the staff.

Serving of notice

Serving of notice meetings were held on 5 January. Bank workers were given an end date of 12 January and permanent workers an end date of 4 February. All were asked to be on call should they
be asked to work up until 12 January. After that date they would not be asked to come into work.

Six bank workers did not attend this meeting. Two were contacted by telephone on the day and asked for details to be sent by post. Messages were left with the other four bank workers. Of these, one was briefed over the phone and in writing, and one did not respond to landline or mobile phone calls or previous attempts at contact. Two said they didn’t want a meeting and were happy to receive details in the post. Therefore all six were sent letters on 7 and 8 January and provided notice up until 18 January (extended by a week).

Selection process

No member of staff had requested redeployment to other services, therefore there was no need for a selection process.

Appeal

No members of staff appealed.

Additional support

In addition to the above process the charity offered support with CV writing and interview techniques. As part of working practice the charity employs trained counsellors to provide clinical supervision. The support of the counsellor was offered to the staff team, but they did not take up the offer of this either.

Communication

The whole process hinged on effective communication and the need to get the same message out to a group of people all at the same time. This is highlighted by Harris (1993) who describes barriers to communication where messages are not clearly received. Messages need a transmitter and a receiver and barriers can get in the way. This is further identified in the Shannon-Weaver model of communication using six elements:

- a source - a person or group of people who wish to communicate
• an encoder - the purpose for the communication and the format of the message
• a message - the content of the communication
• a channel - the appropriate medium for the receiver, which might be blocked or disturbed by barriers
• a decoder - allows the message to be understood
• a receiver - where the message is received.

This describes a one-way process, but often communication is two-way. Shannon-Weaver therefore identified a feedback loop. In human communication this process is continually being used and the chance of error and miscommunication is unavoidable (Cultsock 2006).

Reflection and lessons learned for the future

Collective responsibility

The decision was made by the trustees but appeared to be driven by one particular trustee who had some financial knowledge. As highlighted by Harrow and Palmer in Wood (2003), the balance of a collective responsibility can be seen when some trustees are more financially literate. Trustees should act together and take collective responsibility, but in this instance this does not appear to have happened.

Meeting statutory requirements

The redundancy process was handled in line with statutory requirements and in some areas went above the recommended requirements, especially as fewer than 20 employees were being made redundant. This represents good practice in implementing the redundancy process.
Logistics

The process in practice was a logistical nightmare. This was exacerbated by the travelling distances and number of personnel involved, as well as the adverse weather conditions.

Communication

The announcement caused confusion and should have been worded differently. The reason for closing the service was financial and the reason for closing that particular service was due to the environment, but the announcement did not make this clear. Although the senior manager who made the announcement was able to clarify this point, the staff did not take it on board.

A good example of miscommunication is identified by the Shannon-Weaver model (Cultsock 2006). To ensure all permanent members of staff could be present for the announcement it was agreed that the senior manager would visit the service and meet with all staff. This was to ensure they all got the same message at the same time and allowed the service to continue with members of staff present in the house. This immediately created a barrier to communication, adding to the fact that the news delivered was unwelcome and had a huge impact on the financial position of each staff member.

The timing of the announcement was in the middle of the day to ensure all members of staff were present. This worked well, apart from members of bank staff who had other jobs. There was no provision to hold meetings on an evening or over a weekend to enable the bank staff to have a face-to-face meeting.

Planning

Plans were made for each stage of the process: announcement, individual consultations, serving of notice and finally the appeals process. As there were 16 members of staff facing redundancy and all had to be seen on the same day, the senior manager and the HR Officer agreed to see eight members of staff each, giving each one an hour of time at the various meetings. They used a written brief to ensure the same message was given to all staff.
Note takers were also required, meaning four personnel were involved in the meetings and had to travel the 294 miles.

What the plan did not take into account was the behaviour of the staff and a lack of compliance in following the procedure. Following the announcement, members of staff received individual consultation dates and times. Many staff failed to turn up for their individual consultation and arrived in a group asking for a group consultation.

**Consultations**

Although there was no legal requirement to allow a group consultation it was felt that this should be allowed as a goodwill gesture. It was clarified in the beginning that this would replace the individual consultations and everyone agreed they did not wish to have individual consultations. The group consultation involved individuals asking questions to clarify the reasons for the closure. The members of staff were extremely angry and the senior manager had to field an onslaught of questions and challenges.

The consultation part of the redundancy process again caused communication problems by breaking the loop in the returning of information. Questions posed by the members of staff were written down and taken away for consideration before a response was given (Cultsock 2006).

The next stage was to take the questions to the trustees for responses and to then serve notice to the members of staff being made redundant. The trustees were not due to meet again until the redundancy process was completed and communication was made through email and telephone.

This was not ideal as there was no group discussion which may have provided different responses to the questions posed. Before this could happen many of the staff then asked for an individual consultation. Even though it had been agreed that the group consultation would cover this, the employees were legally entitled to individual consultations and so the advice from HR was to provide these.

The date pre-booked for dismissal was therefore used for individual consultations instead. This caused a delay in the overall
process, taking it into January due to the Christmas break. No contingency plan was made for changes to the process timetable and this added to the stress factors for those involved.

The ACAS Redundancy Handling booklet states:

“A poorly thought out approach to change can result in a level of uncertainty which damages company performance and, should redundancies be unavoidable, may lead to financial and emotional costs to the individuals affected.” (ACAS p3)

Conclusion

A decision needed to be made regarding the financial sustainability of the charity. Whether the decision to close a service was the right one still remains to be seen. The suddenness of the decision and the tight timescale for the process insisted upon by the trustees created extra stress factors and led to a less-planned approach.

Communication methods could have been improved, with clearer written briefs and face-to-face meetings built in for bank staff and the trustees. The redundancy process exceeded statutory requirements but the shortfall came in the implementation.

The strategy for the future should include:

- accessing expert financial advice to enable all trustees to understand the finances of the charity and ensure decisions are informed and collective
- creating realistic timescales which allow for adequate planning and delivery, including planning for all eventualities
- improving communication methods as part of the planning process.
Appendix 1: Consultation document

15/16 December

1. Time of meeting
2. Meeting held with
3. Meeting held by

1. Thank you for attending the consultation meeting today. Introduce panel.

2. The purpose of the consultation meeting is to give you a fair and proper opportunity to understand and comment on the announcement which took place on 2 December 2009 with respect to the proposal to close the south coast service.

3. You were offered the right to have a representative present, have you chosen to accept or decline this? Please provide the name of your representative.

4. Did you attend the announcement on 2 December 2009? If so, do you need any points clarified?

5. Do you have any questions or suggestions that you would like to put to us?

6. Did you attend the scheduled one-to-one consultation meetings on 8 December?

7. Did you attend the group consultation meeting which took place on 8 December where several questions and comments were raised? These are currently being reviewed by the trustees and a response will be delivered to all staff in due course.

8. Would you be interested in redeployment opportunities as and when they come up. At the moment the vacancies are limited however we would keep you informed of any developments. The current vacancies are temporary:

   - Executive Assistant
   - Support Worker
If you are interested please declare your interest and we shall send you information relating to the roles.

9. Following on from the consultation, part of the process may be to attend a redundancy notice meeting. It would be very important for you to attend this meeting as it is a legal obligation where details regarding redundancy entitlement and notice would be provided. Alternatively, you will be advised of any other outcomes if closure does not take place.

Do you have any holiday booked or dates that you cannot attend in January?

10. Do you have any further questions or areas you wish us to consider?

11. Please take a copy of the question and answer sheet regarding the proposal to take away with you.

12. Thank you for attending.
Bibliography


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