

### **Policy update: Handling redundancies in a recession**

In chapter 13 of the book we focus on the topic of redundancy, highlighting its significance to contemporary human resource management. Since it was written, in early 2008, the UK economy has entered a major recession, something that has resulted in a notable rise in the number of redundancies, either because of company failure (e.g. XL Airlines, and the retailers Zavvi and Woolworths), or because of the need to reduce employment costs by cutting jobs (e.g. BT, Royal Bank of Scotland, and steelmaker Corus). Unsurprisingly, there has been a large rise in the rate at which redundancies occur. Measured as the number of redundancies per 1,000 employees, the redundancy rate fluctuated around the 7.5 mark in the early 2000s, before falling to 5.0 in 2007. During 2008 and early 2009, as the recession intensified, the redundancy rate increased rapidly, reaching 11.3 in the first quarter (January – March) of 2009. That said, without attempts by employers to avoid having to make redundancies, the rate might well have been much higher.

It has been claimed that one of the most striking features of this recession, compared to previous periods of economic difficulty, is that many employers are making more of an effort to mitigate the impact of the recession on their staff by instituting alternative ways of cutting employment costs, eschewing the need for lay-offs. British Airways, for example, which is experiencing mounting losses, received a lot of publicity for its policy of asking staff to work unpaid for a month. This was one element of a broader approach to reducing employment costs which also included encouraging staff to take unpaid leave and to switch from full-time to part-time working. Yet the airline is still expected to have to lose some 4,000 jobs. Other companies have also sought ways of avoiding redundancies through similar measures. Toyota has reduced its employees' hours and pay by 10 per cent as a way of avoiding redundancies. Another car manufacturer, Honda, reached an agreement with the trade union Unite to cut pay by 3 per cent in order to save some 500 jobs. This was in addition to a four-month shut-down during which the workforce were on half pay and 1,400 voluntary lay-offs. Private health firm AXA PPP Healthcare asked staff to choose between up to 300 job losses, or having to take a pay cut of 10 per cent, along with other cost-cutting measures (Baker 2009).

Despite the attention given to these initiatives by the media, the Trades Union Congress (TUC) argues that there is nothing new about firms cutting the pay and hours of their workers during a recession (Stewart, 2009). Moreover, by agreeing to take a cut in pay and hours workers do not guarantee their jobs will be secure. JCB, which makes construction equipment, instituted a shorter working week in 2008, but still ended up having to make over 1,500 job losses. Workers may be reluctant to volunteer to take unpaid leave, or to switch to part-time working, because they fear this will make them more vulnerable to being laid-off if redundancies do end up being necessary. There are also concerns that some employers have been using the economic climate as an excuse to get people to work on the cheap. The TUC has claimed that some employers are using the recession as a pretext for eroding pension entitlements (TUC 2009). Understandably, then, workers may oppose alterations to their terms and conditions which leave them worse off. Where the changes have been agreed with a recognized trade union (as in the cases of Honda and Toyota), workers may be more likely to see them as necessary and accept them.

### Sources

Baker, K. (2009). 'Axa staff to choose between pay cuts and job losses', 16<sup>th</sup> June.

[www.personneltoday.com/articles/2009/06/16/51091/axa-staff-to-choose-between-pay-cuts-and-job-losses.html](http://www.personneltoday.com/articles/2009/06/16/51091/axa-staff-to-choose-between-pay-cuts-and-job-losses.html).

Stewart, H. (2009). 'Recession sparking revolution in industrial relations, says CBI', *The Guardian*, 23<sup>rd</sup> June.

Trades Union Congress (TUC) (2009). 'TUC boss urges trustees to fight employers slash and burn approach to pensions'. TUC press release, 30<sup>th</sup> June.

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