



STAYING COMPETITIVE IN A DIFFICULT ECONOMIC CLIMATE

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Staying Competitive in a Difficult Economic Climate.

In this seminar we are going to look at some of the positive steps that an organisation can take to bring it greater stability and productivity in difficult times. Organisations which

look firstly at reducing costs and headcount, without considering other measures, will be unlikely to be the first to benefit from the recovery when it arrives - and it will arrive.

Your workforce is one of your most important resources, and in difficult times you will need to bring them along with you in any changes that need to be made – which is why it is essential to present any changes in the most positive light, and to explain why action is being taken, to ensure that your business is strong for the future, and can continue to provide satisfying and careers for staff to progress within the organisation.

A number of the points that I make during this seminar may seem very obvious – but are there gaps in your own structure and HR procedures where things could be improved?

1. Maximising Performance.

Have Job Descriptions

Having the right information is essential for good performance. If employees have clear and accurate job descriptions (always with enough flexibility to ensure that you can require employees to perform new tasks that arise which are appropriate for their role) then both manager and employee know what is expected, and results can be more easily measured.

Do Appraisals

Appraisals should also be positive, and honest. Time needs to be spent preparing for these, and it is a good idea to have a short form for both the employee and the manager to prepare prior to the appraisal. This encourages both parties to reflect on what has happened in the preceding months. It should be an opportunity for both manager and employee to make *CONSTRUCTIVE* comments about each other. If there is a particular point on the job description in which the employee is under-performing, or maybe not even performing a task, then this should be discussed, and a plan for improvement decided upon. It may be that the employee is bored and de-motivated, in which case it may be possible to suggest that further responsibility/more interesting work can be given once they show that they can perform with excellence in their current tasks. Training may be required, and this should be targeted, so that that the organisation does not spend resources teaching employees skills that the organisation does not need.

Managers may need some training to enable them to get the best out of the appraisal process, to be positive and look to the future, even where the employee requires some intervention to improve.

Time Management

A good manager should know to a certain extent what their team members are up to, without being overly intrusive. An appraisal should also be an opportunity to evaluate

what an employee is achieving with their time – do they feel under or over utilised? What do they spend their day doing? Can they think of any ways in which improvements can be made? With that information a good manager can plan work allocation more effectively, and anomalies, such as one effective employee ‘carrying’ another can be identified, and changes implemented. It is a matter of knowing your employees and their skills, and how they are using these. If a secretary is spending much of the day without an adequate flow of work, and then finds that a raft of urgent work arrives all at once, and must be rushed, there is an inefficiency which could be addressed by keeping the work flowing at a more moderate pace.

Consider other potential time wasting – are employees using the internet for personal reasons too much during the working day? Are some employees’ cigarette breaks too frequent? Do employees regularly come in late or take more than the allocated break/lunch times? These matters can be ascertained and tackled by a proficient manager, with beneficial effects for your profitability. Educate staff to understand that working hours should be just that – obviously some flexibility is good for morale, but managers must be prepared to identify and tackle any abuse.

Tackle High Absenteeism

We looked at minimising absenteeism in the last seminar. The costs of high absenteeism can be enormous, and high per capita absenteeism should be addressed by management, through sickness procedures which are applied consistently with all employees.

2. Costs

There are ways in which payroll costs can be reduced without having to make redundancies or affect morale.

Salary Sacrifice

A salary sacrifice scheme allows staff to elect to take benefits in place of some of their normal salary. It is not a deduction, but a ‘sacrifice’, meaning that the normal salary for that employee diminishes, but they also have the right to other benefits they did not have previously. There are benefits on both sides – the employee pays less income tax and NIC on their new lower ‘normal salary’ and the employer pays lower employer’s NIC. Such schemes can be very popular because they are so tax efficient.

For example, a parent is paying for childcare out of their taxed earnings. Under the scheme they would sacrifice salary each month and in return get childcare vouchers, which do not attract tax or NIC. The employer is not required to pay employer’s NIC on the sacrificed salary. It is estimated that an employer could save around £370 per year in employer’s NIC for each such employee. The employee has a tangible benefit, having more ‘disposable’ income.

Employees may have more realistic expectations for pay increases this year, but giving no increment at all can demotivate staff. One additional option is 'flexible benefits', where the employer gives a nominal monetary sum or number of points, which can be allocated by the employee, to their choice of flexible benefits within the scheme. Again, such schemes are very tax and NIC efficient, and so are a less expensive option than pay increases. Employees feel rewarded and have a choice of useful benefits, at far less cost to the employer than face value. Examples of the benefits include childcare vouchers, medical and dental care and additional holidays.

3. Workforce Planning - How well does your workforce meet the requirements of the business?

Successful businesses are constantly considering their needs in terms of the number of employees required and the skills required. This can only be done if the necessary groundwork is carried out, and managers are alive to the needs of the business and its customers.

Training.

More in the present climate than ever before, training needs to be targeted to the needs of the business. Consider the unit/department. How many employees are there, and what is the key role of each? Could any members of the team be encouraged to progress and take extra responsibility? Is every team member 'pulling their weight'? A constructive evaluation (normally during the appraisal process) can identify weaknesses and unexploited strengths, which some targeted training could improve. Research suggests that short 'single skill' training courses, in 'bite size' portions that employees can easily remember achieve the best results.

Where there is a 'poor fit' between workforce skills and the needs of the business.

Businesses do progress, and sometimes, because of changes in technology or the market, the whole emphasis of a business changes over time. Too often employees are left in roles which are now of diminished necessity to the business, but no-one wants to address the problem. This is inefficient and is demotivating to the employee, who finds him or herself feeling increasingly sidelined.

Careful workforce planning

Identify the skills that are necessary for the business as a whole and in individual departments, and strengthen employees' skills in those areas with targeted training, where necessary. Unless the business is very small, this will mean working closely with managers, who know their team and its objectives. It is useful to make up an 'organisation chart' – which is like a family tree of the business, showing the hierarchy, job titles and the people who occupy those roles. This can sometimes identify areas of over-manning. If in the process you identify some roles which are no longer necessary or areas in which you are over staffed, then discuss with employees the skills and interests

that they have, and where they see their career progressing. Redeployment may be possible. An employee may have just the right aptitudes and enthusiasm for a role that needs to be carried out elsewhere in the business. Again, targeted training can assist this. The result is that you do not have to outlay for redundancies (with the inevitable risk associated with dismissal), and avoid the negative connotations within the remaining workforce.

Remember, it costs significant sums to recruit, and so holding on to talent should be the first objective. The businesses which do this are likely to be the first to benefit from an upturn in the market. Always have an eye to the future, and the direction in which the business is heading, so that you retain the skills that you will need in the medium term.

Redundancy and Lay-off.

This should be the final option, because it inevitably sends out negative signals. However, a business which ignores the need to reorganise will be adopting inefficient practices which will cause harm in the long term.

Lay off.

Lay off is not redundancy. It is a temporary solution for a short term downturn in work and is adopted to *avoid* redundancy. Some contracts of employment, especially in manufacturing, which is labour intensive and can suffer from fluctuations in work, have lay off clauses, which permit the employer to send employees home when there is no work to do. The employees receive only guarantee pay during a period of lay off, and this is currently £20.40 per day and is payable for a maximum of 5 days in any 3 month period, and the employee may be able to claim benefits thereafter. However, an employer can only lay off on guarantee pay if there is the right to do so in the contract. Also, if lay off continues for 4 weeks or more, the employee may be able to claim that their job has terminated, and require the employer to make a Statutory Redundancy Payment.

Redundancy.

If careful workforce planning has taken place, and you consider that some positions may need to be declared redundant, you must follow the statutory dismissal procedures (DDP's) and consult with the affected employees. If you have an internal redundancy procedure this should be consulted and followed. The statutory procedure is, briefly;

1. Write to those potentially affected explaining why it is necessary to consider redundancy, and why their position is potentially at risk. Invite them to a consultation meeting. They may be accompanied by a colleague or trade union representative.
2. Hold consultation meeting(s) with each to discuss the potential redundancy situation and consider the employee's comments, the alternatives to redundancy and ideas for saving the job.

3. Give a written decision and if the employee is to be dismissed, give a right of appeal to a senior manager/board member who was not involved in the original decision. Any appeal would necessitate a further meeting and rehearing.

If the position is unique within the organisation then the question is whether that role should be made redundant, and what the alternatives are. Where several employees have similar roles and you are planning to reduce the number (e.g. 3 receptionists to be reduced to 2) you will need to consult about appropriate objective selection criteria to decide which will become redundant. The members of the 'pool' will then be scored objectively on each of the criteria. In both cases alternatives to redundancy, including suitable alternative work within that organisation and any associated employer should be considered. Continue to consider this right up to the final date of employment. If any suitable vacancies should arise during the notice period then these should be offered to the redundant employees.

Objective selection criteria include current (unspent) disciplinary records, relevant skills and absenteeism (but exclude any days relating to disabilities). It used to be popular to make decisions on 'last in first out' (LIFO) but this is now unpopular and potentially risky – it may lead to less skilled employees being retained, and may give rise to age discrimination.

In all cases, it is important to plan properly and consider the future needs of the business. It will be expensive to find later that you have shed employees and skills that you need to replace. Don't forget to pay attention to those who survive a redundancy exercise, who may have more work to do, and may resent the loss of colleagues. They may also fear further redundancies. It is important to ensure that everyone is kept informed so that misinformation does not become a problem, and that employees who have changed roles feel supported and listened to. Again, retraining for those remaining may be beneficial, especially where jobs have to be shared among remaining employees.



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