

## NOTICE OF MOTION ADVICE NOTE: NO COMPULSORY REDUNDANCY POLICY

### Overview of Advice

A policy of no compulsory redundancies is not recommended. It restricts the options available for the management of workforce change and makes it extremely difficult to effect change to meet business need. No compulsory redundancies has a number of consequences but is of particular concern given the requirement for the council to make significant savings in a short period of time where over 70% of revenue budget is attributable to employment costs.

Taking account of all of the issues set out below, it is not recommended that the Council adopts a policy of no compulsory redundancies, in summary because:

- 1) Budget savings: ability to produce budget savings much reduced;
- 2) Cost of Change: increases cost of managing change, which reduces reserves;
- 3) Workforce Change: reduces flexibility to manage any workforce change (not just budget related); and
- 4) People effect: impact on workforce efficacy and morale.

Added to this, it is not possible at this time to assess the workforce changes that will be required to deliver the savings the council requires for 2024/25 and beyond. Therefore, the immediate costs of a no redundancy policy and the impact this policy position would have on the ability of the council to meet the requirement to agree a balanced budget in March 2024 are not known at this time.

While council standing orders (SO 84<sup>1</sup>) provide for review of any budget decision at any point without the need to suspend standing orders, a no redundancy policy is a significant employment position to adopt which will require a review of related policy issues. It is a matter on which the Council, its employees and managers would rely and would be built into statutory consultation processes. It is, therefore, not a matter which should be changed frequently and should be a long standing commitment that is part of an overall approach to the management of the workforce.

**It is recommended that the council does not adopt a policy of no compulsory redundancies because of the serious limitations it would place on the ability to deliver a balanced budget in 2024 and beyond.**

[<sup>1</sup>Any decision the Council takes in relation to its position on compulsory redundancies would be subject to Standing Order 84: *No resolution of the Council shall be altered or revoked within six months of its adoption except for the purposes of budget setting or by suspension of Standing Orders*]

## FURTHER INFORMATION ON KEY POINTS AND CONSEQUENCES

### Current Policy Position

**Moray:** avoid compulsory redundancies wherever possible

**Cosla:** compulsory redundancies will only be considered as a measure of last resort

#### 1) Budget Savings

- i) Reduced scope to manage reductions via turnover: normal turnover, vacancy management, and voluntary departures contribute to workforce reductions. Turnover tends to increase when there are workforce reductions but this effect will be removed when employees have guaranteed employment under a no compulsory redundancies policy. This will reduce the scope to reduce the workforce over time.
- ii) Reduced potential for redeployment (Transform): employees have no incentive to volunteer for alternative work to move out of a service where there are workforce reductions. Redeployment is part of the process of avoiding redundancy but if there are no redundancies no-one will require to move jobs, which normally happens following redundancy selection.
- iii) Supernumerary posts – the result is that employees are retained at their current hours and salary and the saving is not made. This is a long term recurring cost.
- iv) As a result, workforce savings are much reduced and cannot be relied upon to deliver savings. This is a concern given the high proportion of council budget that is workforce related.

## **2. Cost of Change**

- i) Current voluntary departures (retirement or redundancy): these are currently minimised to manage cost. The focus is on redeployment and other alternatives.
  - Voluntary redundancy payments are incentivised to double the compulsory level and are based on actual salary with no cap
  - Voluntary retirement has no enhancement to pension or redundancy payments. Retirement rights are triggered automatically by redundancy if the pension criteria (age/service) are met.
  - Cost effectiveness is currently assessed as cost recovery of exit being achieved over a 3 year period (from the salary saving)
- ii) Future voluntary departures: The incentive to volunteer to leave is reduced if there are no compulsory job losses and so no consequences if no-one volunteers. To incentivise volunteers would require enhancement of the packages on offer. Given the age profile of council employees, this would be most effectively applied to retirement benefits. However, this is expensive and may not be financially viable.
- iii) There would be one-off costs of enhancing voluntary schemes to increase the incentive for departure. If the council agrees a policy of no compulsory redundancies, voluntary departures would become a more important aspect of managing workforce change and a report on the policy position would be required. The costs would be significant.

### **3. Workforce Change**

- i) Workforce change: restructuring, changes in hours, locations, job roles all require contractual changes. These can technically be redundancies in terms of employment law, even where there are the same number of jobs overall. Compulsory redundancy and offer of alternative work are a means to achieve workforce change. The removal of this workforce management tool will severely constrict the council's ability to deliver change, including the transformation envisaged as required to manage the medium to long term financial position.
- ii) Temporary contracts: every effort is made to construct contractual arrangements appropriately so that these can be concluded when required (e.g. following a maternity leave). However, on some occasions these can be defined as redundancies when the employment comes to an end. It is important that the council is able to use temporary employment to meet short term needs and can use a redundancy process to bring these to a conclusion if necessary.
- iii) Equal Pay risk: if employees are retained for an extended period with alternative or reduced duties on the same rate of pay, the role no longer has the evaluated responsibilities. This could lead to pay comparisons between men and women and to equal pay claims that could be difficult and costly to defend.

### **4. People Effect**

- i) Alternative work: Redeployment can work effectively for manageable numbers and where there is a long lead in time. However, it is likely to be difficult to secure equivalent alternative work when workforce reductions are potentially significant numbers and widespread across services. This will be particularly the case where travel is an issue in rural areas or where particular skill sets or working patterns are required for the alternative work.
- ii) Surplus employees: employees will have no tasks/job if services are reduced and jobs are removed. Alternative work cannot be required contractually (see workforce change above) and may not be appropriate to the current grade of the post. At its extreme, employees may have to stay at home and receive pay for no work indefinitely, which may in turn have legal consequences for constructive dismissal.
- iii) Surplus employee morale: employees will have to be selected as "surplus" in a similar way to redundancy. This is extremely difficult for those concerned, as well as their peers and managers. Many wish to leave in early course with a redundancy payment rather than continue in employment with no meaningful role or with alternative duties not of their choosing.
- iv) Core employee morale: There are issues of morale and motivation from a long term strategy of retaining employees who no longer have jobs to perform or whose jobs have been changed fundamentally but who continue to be paid at

the former level. Organisational structures become ineffective as some employees leave over time.

### Illustration of Impact on Ability to Deliver Workforce Savings Options

To illustrate the possible impact of not using compulsory redundancies as a tool (of last resort) an example of using turnover and voluntary measures is given below.

This assumes that 300 redundancies would be required to delivery savings of £9m, calculated assuming on an average salary saving of £30,000. Other assumptions are:

- 10% voluntary turnover
- 25% of employees at risk will volunteer for redundancy or retirement
- 10% of employees can be voluntarily redeployed to alternative work and will accept this.
- Year 2 reduced voluntary exits and redeployment as optimised in Year 1

Year	Number	Turnover 10%		Voluntary 25%		Redeploy 10%		Employees Remaining	Cost Remaining at end of Year
1	300	30	270	75	195	30	165	165	£4.95m (165 x £30k)
Year	Number	Turnover 10%		Voluntary 5%		Redeploy 5%		Employees Remaining	Cost Remaining
2	165	16	149	8	141	8	138	138	£4.14m

£4.14m will be the ongoing costs of no compulsory redundancies, although there would be reductions each year

### RECOMMENDATION

It is not possible at this time to predict the exact workforce and budget implications of a no compulsory redundancy policy as the measures to be taken to balance the council budget have not yet been agreed.

However it would severely restricts the scale of workforce change that can be made both for budget and other reasons, particularly in the short term. This will mean that a number of savings are not achievable.

Should the council decide to adopt a policy of no compulsory redundancies, it will jeopardise the council's ability to address the savings requirements in the timescales available and potentially the scope to achieve sustainability longer term through transformation. It is recommended that this course of action is not taken.

26 June 2023