



Find out how
to handle
redundancies
with integrity



Managing redundancy fairly

A step-by-step guide for small employers

face2faceHR

1. Understand what counts as redundancy

Under UK law, redundancy occurs when you dismiss an employee because:

- The business closes altogether,
- The workplace closes (for example, you move premises), or
- You no longer need employees to do a particular kind of work (perhaps due to automation or falling demand).

It's important to be clear that redundancy is about the job disappearing or diminishing – not about an employee's conduct or performance. If your real reason is misconduct or poor performance, a disciplinary or capability process, not redundancy, is the correct route.



2. Check your alternatives first

Employment tribunals look at whether redundancy could reasonably have been avoided. Before announcing redundancies, ask yourself:

- Can we reduce overtime or use temporary staff instead?
- Can we redeploy people into other parts of the business?
- Can we offer reduced hours or job-sharing on a voluntary basis?
- Can we achieve savings by freezing recruitment or cutting discretionary spending?

Exploring alternatives isn't just a legal safeguard. It demonstrates good faith and may preserve skills and morale in your team.





3. Plan the process carefully

Even in a small business, redundancy needs a plan. Set out:

- Business rationale – why roles are at risk.
- Selection criteria – how you'll choose who is affected.
- Timetable – when consultations and decisions will take place.
- Documentation – letters, meeting notes and any scoring matrices.

Planning ahead will help you stay consistent and show that your decisions were objective if they're later scrutinised.

4. Identify the "pool" for selection

The first formal step is to identify which employees are potentially affected. This is known as the selection pool.

For example, if you're reducing the number of customer service advisers from five to three, all five advisers should normally go into the pool, not just the two you're thinking of letting go. Limiting the pool to selected individuals without good reason can make the process unfair.

There are exceptions – if a role is genuinely unique, or a whole function is closing, the pool may consist of one person. But always document your reasoning.



5. Decide on fair selection criteria

If you're reducing headcount rather than closing an entire function, you'll need criteria to decide who stays and who goes. These should be:

- Objective and measurable – such as skills, qualifications, disciplinary record or attendance.
- Relevant to the business's future needs – e.g., retaining people with multi-skilled experience if you're restructuring.
- Non-discriminatory – avoid criteria that indirectly disadvantage protected groups under the Equality Act 2010 (age, disability, sex, etc.).

Many employers use a scoring matrix, weighting each criterion and scoring employees in the pool. This isn't legally required but it makes decisions more transparent and defensible.



6. Consult with employees

Consultation is the cornerstone of a fair redundancy process. Even with only one employee at risk, you must meet them, explain the situation, and listen to their views before making a final decision.

Key points:

- Individual consultation – At least one meeting (more for complex cases) with each at-risk employee. Explain the business reasons, how they've been selected, and explore alternatives such as redeployment.
- Collective consultation – If you're proposing 20 or more redundancies within 90 days at one establishment, collective consultation rules apply, including minimum time periods and notifying the government. This is rare in small firms but important to know.
- Notice and documentation – Give employees written confirmation of their at-risk status and their right to be accompanied at meetings.

A genuine two-way conversation – rather than a box-ticking exercise – can surface alternatives and reduce disputes.



7. Consider suitable alternative employment

You must offer any suitable alternative employment that becomes available before the redundancy takes effect. This includes roles at other sites or subsidiaries if applicable. Failure to do so may risk an unfair dismissal claim.

Employees offered such a role are entitled to a four-week trial period. If either side finds the job unsuitable during that time, redundancy pay still applies.

Even if you think an alternative role is less desirable or lower paid, it's better to offer it and let the employee decide.



8. Make the decision and confirm in writing

Once consultation is complete and you've considered alternatives, you can make a decision.

Write to the employee to:

- Confirm they're being made redundant,
- State the date their employment will end,
- Set out their notice period (or payment in lieu), and
- Outline their redundancy pay entitlement and how it's calculated.

This letter is your formal record and may be used as evidence if challenged, so keep it clear and factual.



9. Calculate redundancy pay and notice

Employees with at least two years' continuous service are entitled to statutory redundancy pay, based on age, length of service, and weekly pay (capped at the statutory limit, updated annually). Use the government's online calculator to work this out.

Some employees may be entitled to enhanced redundancy pay if this is stated in their contract or you have a custom and practice of paying more.

All employees, regardless of length of service, are entitled to their notice period under their contract (or the statutory minimum, whichever is greater) and to be paid for accrued holiday.



10. Provide support and treat people with dignity

Redundancy is not just a legal process; it's a human one. How you handle it will affect your reputation as an employer and the morale of your remaining staff. Consider:

- Allowing reasonable time off for job-hunting or training (a statutory right for those with two years' service).
- Providing references promptly.
- Offering access to outplacement support or career coaching if you can afford it.
- Communicating openly with the wider team to manage anxiety and misinformation.

Even small gestures – a private meeting room, a kind word, an exit interview – can make a big difference to how the process is experienced.





11. Handle appeals or grievances

It's good practice to allow employees to appeal against their redundancy or raise a grievance if they believe the process was unfair. This isn't strictly required by law but it demonstrates procedural fairness and may help resolve issues before they escalate.

Set a short, clear timescale for appeals and arrange for someone not directly involved in the original decision (if possible) to hear them.

12. Learn from the process

Once the process is over, take time to reflect:

- Were your selection criteria clear and understood?
- Did consultation uncover any surprises?
- How did the remaining staff react?

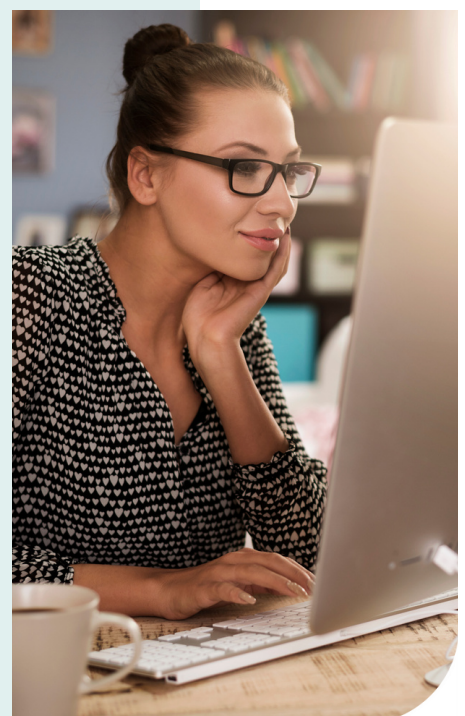
Learning from each experience will help you manage change better in the future and maintain trust with your team.

Common pitfalls to avoid

- Failing to consult – Even a strong business case can be undermined if you skip meaningful consultation.
- Pre-selecting individuals – Deciding who to let go before the process ends can make it unfair.
- Using discriminatory criteria – For example, attendance records without adjusting for disability-related absences.
- Inadequate records – Keep notes of meetings and scoring to show how decisions were reached.

Final thoughts

Managing redundancy fairly is about more than legal compliance. It's about balancing the needs of your business with empathy for the people affected. By planning carefully, consulting openly, and applying objective criteria, small employers can handle redundancies with integrity – protecting both their workforce and their reputation.





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