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## ESEP LARGE SCALE REDUNDANCIES SEMINAR

26<sup>TH</sup> NOVEMBER 2003, CALLENDAR HOUSE.

### WORKSHOP SUMMARY

- 1.1 Three groups (approximately 6 in each) were randomly selected and given 30 minutes to tackle three questions in relation to large scale redundancies namely:
  - Group A - map out a *risk assessment process* for dealing with large scale redundancies
  - Group B - identify the different groups likely to be affected by LSRs: *how and why do the risks differ?*
  - Group C - identify the different groups likely to be affected by LSRs: *what measures should be targeted on each group?*
- 1.2 Each group presented a short summary of their key findings as detailed below.

### PRIORITIES FOR ACTION

#### Group A: Risk assessment process

- The group started by commenting that there is no fixed definition of a 'large scale redundancy' and that any definition employed is subjective depending on circumstances e.g. 100 jobs lost in a small community or a remote rural area may have a greater impact than a larger redundancy in an urban location
- The first step should be a risk assessment process to decide whether public sector intervention is appropriate and necessary. Consideration should be given to factors such as: the company's input into the redeployment exercise, local labour market demand conditions, the skills of the workforce and the impact on SMEs
- If this risk assessment exercise establishes the need for intervention, criteria should be developed which allow the prioritisation of support, targeting effort at those groups within the workforce and the business base that are most likely to be affected
- However, it was stressed that these criteria should be flexible and adapted to the situation at hand.

#### Group B: The groups affected and their differing risks

- Three groups were identified for discussion:
  - The redundant workforce
  - Supplier businesses
  - The wider local economy

#### Workforce

Within the workforce, an individual's risk of becoming, and remaining, unemployed may be influenced by several factors including:

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- the extent to which the redundant workers profile (numbers, age, skills, gender, wages, service, qualifications) and local employment demand were well 'matched' thereby improving redeployment prospects
  - place of residence - whether displaced staff are resident in an area with high/low labour demand
  - 'quality of life' considerations have an impact on whether or not redundant workers are likely to be willing to accept new employment in jobs which may be lower paid, further away etc. Cases were cited where redundant workers had decided to take early retirement or to move to part-time hours in order to spend more time with family
  - finance and level of redundancy payments were also cited as factors in the redeployment process, workers who receive large redundancy payments may decide to delay their return to the labour market or stop working altogether

### Supplier businesses

Jobs may also be at risk in supplier companies. The risk to suppliers will depend on factors such as:

- ability to diversify into other products, services, markets
- supply-chain linkages and relationships -the extent to which other local suppliers are vertically integrated and dependent on the company that is shedding jobs. If the turnover generated from this company only represents a small proportion of their overall custom, then the impact on their operations will be less
- timescale - the period of forewarning given in order for them to find alternative customers / markets
- when they are considered at risk, supplier businesses will also be given the opportunity to work with the PACE teams - these companies' willingness to work with PACE may have some bearing on how much they are affected.

### Local economy and geography

- The wider local economy may be adversely affected by a reduction in local disposable incomes, especially where the workforce represents a large proportion of the local population. However the extent of this impact may depend upon other factors including:
  - the buoyancy of the local labour market - where there is demand for employees coupled with low levels of unemployment, it would be expected that the local economy would be more able to absorb the workforce at a faster rate
  - rural/urban - the geographic position, transport linkages and openness of the local economy - in terms of commuting patterns - may all have a bearing upon the impact felt in the local economy, especially for businesses that rely on local discretionary spending e.g. retailers, hairdressers etc
  - the risks may be lower where a plant closure can be quickly replaced by inward investment from other new businesses and /or growth from existing businesses

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- net migration can also affect the local economy particularly where a loss of employment is followed by out-migration in search of new opportunities and a drop in inward movement due to perceived limited employment or business opportunities.

**Group C: The groups affected and approaches to target them**

- taking account of all of the factors already mentioned, groups should be placed on a scale from low to high risk
- intervention should be targeted at those who have the highest level of risk.

**Different groups include:**

- management and executives who may have to look further afield than their local economy for a comparable position
- remaining redundant workers who may face high levels of competition for local jobs
- families of redundant workers face a drop in their household income - this can be particularly problematic when those facing redundancy are sole earners, thereby resulting in workless households
- people working in other companies - an influx of redundant workers into the labour market may result in skills dilution and wage pressure on those in low paid, casual or temporary positions
- existing jobless people may already be among the least employable in an area, and they could find themselves "squeezed out" of the labour market by better qualified/more employable redundant workers
- employees of supplier companies may be at risk if their company is forced to shed staff as a result of decreased demand for their products and/or services
- impacts of reduced local spending - the knock on effect for the whole local economy from the loss of disposable income which is normally spent locally and supports local businesses

**Approaches**

- For those already unemployed- it is recommended that agencies should 'dig deeper', in terms of ensuring an increased effort to assist them into employment using New Deal and other ongoing initiatives
- For those who have just been made redundant, agencies must ensure that in addition to redeployment support, the psychological impact of such a loss is taken into account, especially where there is a geographical concentration of people affected by redundancy. Interventions should aim to ensure people are not allowed to become 'disconnected' from the labour market and the work environment,
- Responses to redundancies should be speedy, and where limited employment opportunities exist, alternatives to employment should be arranged including training and voluntary work opportunities.