

Your Business After Furlough

What next?



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Many businesses and organisations have furloughed staff. It may be a few staff, the majority or even the entire workforce.

The next questions will be:

What happens when furlough comes to an end (at the end of June or if it's extended even further)?

What will your business look like at that time?

How long will it take to recover?

At the moment, none of us know the answers to these questions. However, that does not mean you cannot start to plan and look at different options that may be available ...and necessary. This will put you in a better position once you know more and can start to fully assess the situation.

For many, there will be a long-term impact on your business, and it will take many months, if not years to recover. For others the impact will be short term. For a few, you will have seen growth, but may be unsure if this will continue. I'm not trying to be pessimistic, but realistic. It is better to plan for the worst and then hope for the best.

So, what options do you have when it comes to your employees?

As recognised by the government, your employees are one of your most expensive assets, if not the most expensive. Your employees are also one of your most valuable assets and for many businesses you will not want to lose a trained and skilled workforce.

So how do you manage this changing landscape and the needs of your business?

Here we look at some ways you may be able to avoid or minimise losing good people (i.e. making redundancies), but still be able to reduce costs, while also recognising that ultimately, redundancies may be unavoidable for your businesses.

Will you need to restructure your business?

Your business may not be the same after coronavirus. It may be a case of a fall in revenue that will return over a period of time, or you may decide to change how you deliver products or services in the future, and even what you do as a business. Home working may now be a viable option that you had not considered (or thought would work) before. This situation may even have made you rethink your entire business, or parts of your business and your financial model.

Whatever decisions you make, you will need to align your employees to any changes. A restructure will allow you to do this. This may include some or all of the strategies below, and these may be applied differently to different areas of the business, depending on what you need to achieve for your business.

Here are a number of options to consider, which are explained further below:

1. **Short-time working and lay-off** – reduce hours or lay-off workers for a period of time while you recover
2. **Pay cut** – ask everyone to take a pay cut (don't forget yourself in this)
3. **Changes in terms** – this may be hours of work or benefits and perks
4. **Re-deployment** – changing roles, redeploy people to new positions
5. **Redundancies** – as a last resort you may need to reduce your headcount through redundancies.

So, let's look a bit further at these.

Short-time working and lay-off

What is short-time working and lay-off?

Short-time working and lay-off allows you to reduce the hours someone works (e.g. reducing to a 3-day week) – while reducing their pay on a pro-rata basis or lay them off completely.

When furlough leave comes to an end, if you still do not have work for everyone (because the business needs time to recover), this would allow you to reduce your salary bill by putting people on short-time working or lay-off, until the business recovers further. For example, you might want to reduce the working week or lay some employees/positions off entirely.

There are some important rules around this, including guaranteed payments (£30 a day for the first 5 workless days), and employees will have the right to request redundancy after a period of time. But short-time working and lay-off can give you a further respite while the business recovers.

It is never an easy thing to do as it does affect people's income, but, the overall object is to avoid making redundancies so that when things pick up your business has its workforce. And for employees, it can ensure that no one loses their job.

However, you do need to have the contractual right to do this (i.e. a clear clause in your contracts of employment) or you need to get their express written agreement.

Pay cuts

Some organisations are already considering pay cuts, and some have implemented pay cuts. This can provide cost savings while the business recovers and it means that everyone is 'in it together' (we would strongly recommend that directors / owners are included so it is everyone).

The advantage is that no-one loses their job and the business can continue to operate with a full workforce (as opposed to a reduced workforce under short-time working and lay-off), which may help the speed of recovery.

Pay cuts may be more difficult to implement as you must gain agreement (or go through a difficult process of changing terms), and agreement must be in writing. You also need to be clear about whether the pay cut is temporary or permanent as this has implications.

On a more positive note, in the current climate, employees are fully aware of what is going on and the impact coronavirus is having on the economy, so employees are more likely to give agreement. This will especially be the case if the pay cut is across the board for everyone as you will all be 'in it together'.

Change of terms

This might involve changes of other terms (not pay or not just pay)!

It could include changes in hours of work. For example, you could be looking at different ways of working and realised you need people to work different hours.

You may want to make working from home more permanent – allowing you to reduce the amount of office space (and associated costs).

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You may want to remove expensive benefits that the business can no longer afford (e.g. company cars) or remove anomalies in benefits packages or remove other benefits. You may even want to reduce Company sick pay or holiday entitlement (in excess of statutory), if these are costly to the business, or remove items like holiday buy back schemes.

The secret is to look at where the costs are in the business – and this is not just financial, but also operational cost (e.g. by having a generous holiday allowance, it reduces the man-hours available and hence affects productivity). Does a generous sick pay entitlement lead to higher levels of absence and have an impact on productivity?

While such action may not be popular, it can help to remove anomalies and therefore create more fairness; and save the organisation significant costs and / or help increase productivity.

Re-deployment

During this crisis we have seen businesses having to adapt to new ways of working. From the restaurants doing deliveries, with waiters becoming delivery drivers; to training being delivered online, with trainers having to master video conferencing.

It shows us how people can be flexible and adaptable, so if you do need to re-structure consider how you can re-deploy people from one position to another. This can help you retain good people who have knowledge of your business.

And remember, while employees cannot work during furlough leave, they CAN carry out training. So, if there are areas where you are anticipating needing new skills, it may be possible to do some training during this period. For example, if you want to move to more home working on a permanent basis, why not train your managers on how to manage remote teams, ask employees to do training on the software you use (e.g. there are lots of free videos, webinars and training on YouTube, so things do not need to get expensive).

Redundancies

If, having considered all the options and the needs of the business, you still need to reduce headcount then you will need to go through a fair redundancy process. The actual process will depend on how many redundancies you are contemplating. Remember, if you are considering 20 or more you will need to enter into collective consultation and there is a minimum period of consultation required.

You may need to start this process before the end of furlough leave or before everyone is able to return to work. You will need to consider how you carry out fair and meaningful consultation and ensure communication is clear if you have employees who are furloughed or not currently working in the business.

Putting it all together

As said above, you may need to employ some or all of these strategies in different areas of the business. After the end of furlough leave, you may want to do short-time working or lay-off if you anticipate it will only be a short-term downturn. This may avoid the need to make redundancies and allow you to retain your entire workforce. You may want to consider a companywide pay cut at the same time to reduce overall costs.

You may want to consider the timing as well and do some preparation and take some initial action before the end of furlough leave. This could save you considerable time and money with implementation.

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For example, you could start to negotiate a pay cut or get agreement to short-time working now (if you do not have the contractual right)!

While it is important to consider the needs of the business first, if you can employ strategies that allow you to minimise the number of redundancies that would be the best outcome for everyone. The company and individuals.

It's how you say it...

Whatever decisions and strategies you need to employ, please aim to communicate clearly and deal with employees with empathy.

It's very often, not what you do or say, but how you do it. If you are honest with individuals and take time to give them information and explain where the business is, they can better understand the decisions you are faced with. If you genuinely listen to what they have to say and treat individuals with respect, it will make things easier for everyone.

One thing that the coronavirus has shown us is that we admire and are grateful for those who show genuine care for others. You may not be able to save everyone's jobs, but you can still show that you care.

Ultimately your responsibility is to the whole business. If the business fails, then all jobs are lost. If you need to take some hard decisions in order to save the business (and all those who you continue to employ), this is your duty. But just do it in the best way you can.

Take advice

Implementing any of the strategies above needs to be done within recognised procedures and employment law. The last thing you want is to find yourself with an employment tribunal down the road, when your focus needs to be on building the business. Taking some expert advice will not only help protect you but will also provide an opportunity to discuss options and strategies in more detail.

What COVID-19 has shown us is how important it is to have solid HR foundations in place. For those with good policies and contracts (with clauses around short-time working and lay-off, flexibility and changes in terms), and good communication and cultures (e.g. if you have an HR platform like YourHR.space), implementing any of the above will be easier and smoother. For SMEs who are not in this position, make it a priority to 'sort out' your HR. Many organisations are starting this journey NOW, so they are in the best position they can be as soon as possible. Unfortunately, COVID-19 will not be the last challenge we face as business owners, so it is better to be as prepared as possible.

We hope that as many SMEs as possible come out the other side of COVID-19 and will not just survive but thrive. Good HR will definitely play a positive role for many.

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