



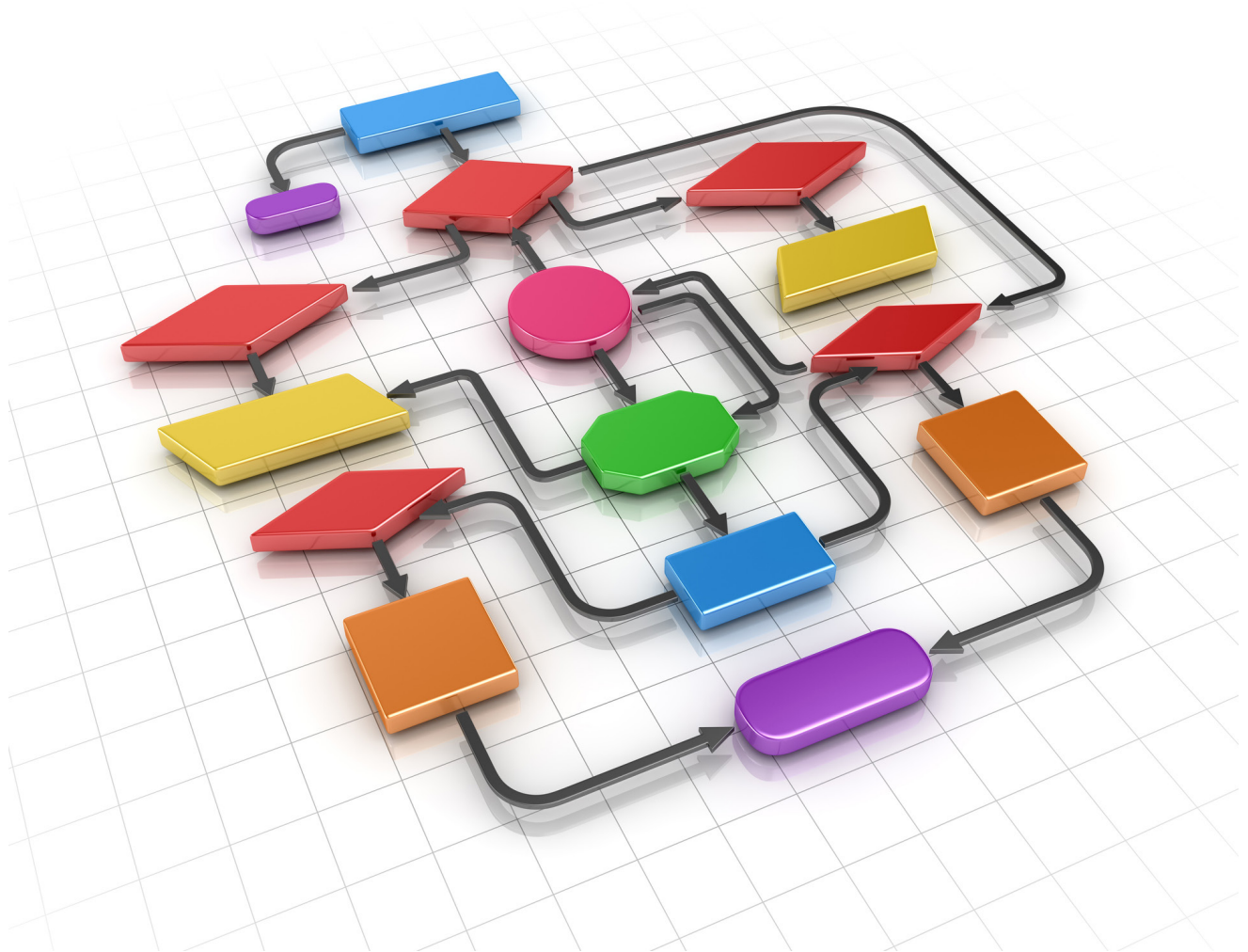
The Prince's
Responsible
Business Network



Toolkit

RESPONSIBLE RESTRUCTURES

February 2024



TOOLKIT

RESPONSIBLE RESTRUCTURES

The impact of redundancy on individuals, their families, and communities can be significantⁱ and a poorly handled restructure could also have long-lasting implications for a business, harming staff morale and employee relations, as well as employer reputation and brand. This toolkit supports employers to approach downsizing in an inclusive and empathetic way, minimising the impact on all stakeholders.

Introduction

The economic downturn is causing significant challenges for businesses. Many firms are experiencing a falling demand for goods and services as household budgets tighten. At the same time, their own costs – wages, rent, utilities and materials – remain high.ⁱⁱ

Four in ten businesses reported a rise in the cost of goods or servicesⁱⁱⁱ

For some employers, the next step is to reduce staff levels.

One in three businesses are planning redundancies in the next year^{iv}.

The benefits of responsible restructuring

Maintaining diversity and inclusion

As the economy continues to struggle and we face rising unemployment,^v promoting and protecting social mobility in the job market over the coming months and years is vital.

Despite the strong business case for a diverse workforce, some companies see inclusion as a luxury they cannot afford in a crisis.^{vi}

Diversity in previous economic crises

Recent events show that people from diverse backgrounds are more likely to lose their jobs through redundancy than others.

The Covid-19 pandemic

The young, less formally educated, ethnically and racially diverse and low-wage workers were over-represented in jobs that could not be done remotely and were therefore exposed to a higher risk of job loss when the pandemic began.^{vii} Disabled people and carers were also more likely to be made redundant than other workers.^{viii}

The 2008 recession

Existing structural disadvantage and inequality were exacerbated by the 2008 recession: 18–24-year-olds accounted for almost 30% of the rise in unemployment in 2008,^{ix} while ethnically diverse

men were twice as likely to be unemployed as their white peers^x.

A responsible business must balance the requirement to reduce costs with the need to remain competitive. We know that diversity is a game changer when it comes to productivity and innovation.^{xi}

Diverse leadership teams are 45% more likely to report market share growth and 70% more likely to capture a new market.^{xii}

We cannot allow the progress of the last few decades, in terms of gender equality, race equality and workplace inclusion, to be undone in our response to a crisis.

The case for diversity

The Social Mobility Commission identifies the benefits of socioeconomic diversity as creativity, resourcefulness and the diversity of thinking needed for innovation.^{xiii}

Though just 14.5% of the UK population was born abroad, 39% of the 100 fastest-growing companies in the UK have a foreign-born founder or co-founder.^{xiv}

The McGregor-Smith review estimates the potential benefit to the UK economy from full representation of ethnically diverse groups across the labour market at £24 billion annually.^{xv}

Businesses with gender diverse executive teams financially outperform competitors by 39%, an increase from 25% in 2020.^{xvi}

Businesses with ethnically diverse executive teams also financially outperform competitors by 39%, an increase from 36% in 2020.^{xvii}

Meeting legal obligations

Under the Equality Act 2010, businesses must ensure that they are not discriminating unlawfully when selecting employees for redundancy. Acas^{xviii}

provides guidance on following the right legal processes, if it has been deemed that redundancy is the only option left.

The Social Mobility Commission talks about the “double disadvantage” across class, disability, ethnicity and gender^{xix} but even this does not recognise the multiple disadvantages faced by many people across protected characteristics and other legally unprotected forms of disadvantage, such as being a carer or having a criminal conviction.

It is vital to understand the current diversity of your workforce and apply an equality impact lens to any policies or changes being considered.

Boosting staff morale

Redundancies can have a detrimental and lasting impact on the remaining workforce if not handled sensitively.

Over 70% of workers who remain after redundancies report increasing error rates, declining customer service, and plummeting product quality.^{xx}

It's important to rebuild trust through open channels of communication and support those who might be struggling with a strong wellbeing programme. Failure to provide adequate support to employees that remain can lead to high turnover rate in the following months.

Downsizing by just 1% leads to a 31% increase in voluntary turnover the next year.^{xxi}

Protecting brand

Even if a business stays within the letter of the law when restructuring, poorly handled redundancies can affect your brand and reputation in the wider industry.

After a negative layoff experience, 70% of companies notice a negative impact on talent acquisition and 81% report a negative impact on brand perception.^{xxii}

Artificial Intelligence (AI)

In 2023 the scale of impact experts predict AI will have on the future of jobs emerged.

Globally 300 million jobs may be automated through AI.^{xxiii}

Employees will be impacted by the level of uncertainty this creates. Employers must be conscious of this added layer of anxiety towards job security.

Case Study^{xxiv}

Unilever's goal is to ensure that 80% to 100% of workers displaced by automation can obtain a new internal job or a comparable external position or opt for early retirement. So far the company has managed to stay at the very top of that range. Consider the case of a plant in Italy. In line with Future of Work principles, the local manager began co-creating a plan with government, unions, and leading universities to prevent a total closure. Together they developed an innovative plan for converting the plant into a recycling centre, guaranteeing jobs for all the employees.

Following layoffs and closures, Unilever works to track employees who leave (providing they agree to be tracked) to determine whether their new pay is keeping pace with the old. And the company is pursuing innovative partnerships to help these workers land other positions with comparable compensation. For instance, it is engaged in exploratory work with Walmart to identify engaging career pathways across the two organisations.

Calls to action

There are nine actions, that we urge responsible businesses to take when considering restructures and redundancies across three categories: 1. Protect and support 2. Upskill and reskill 3. Involve and empower.

Protect and support

1. Make redundancy the very last resort. Seek alternatives such as freezing recruitment and outsourcing, redeployment, or reduced hours, in consultation with staff.
2. If redundancies are unavoidable, consider the practical steps you can take for all affected employees to help them plan for their future and prevent them from becoming unemployed long-term, e.g. job application skill support. DWP and JobCentrePlus outline the full range of government support for businesses and employees and provide employer advice.
3. Redundancy can impact the wellbeing of the workforce – both the individuals who lose their jobs and the colleagues who remain employed. In any significant workplace change, consider providing wellbeing support. Business in the Community has a full suite of [wellbeing guides](#).
4. Understand your demographic makeup and conduct Equality Impact Assessments (EIA) across all demographic groups to ensure none are unfairly disadvantaged. For groups who are disadvantaged in the labour market but may not be considered through an EIA (such as employees whose entry route into your organisation was through a specific partnership), measures should be taken to ensure that they are not disproportionately impacted.

5. Create partnerships with other organisations to help redundant workers secure jobs with comparable compensation.

Upskill and reskill

6. Develop the essential skills of your employees using the [Skills Builder Universal Framework](#). Make essential skills training available to employees facing redundancy to help them move more easily between roles, employers and industries. Business in the Community (BITC) has a suite of [Essential Skills guides and toolkits](#) to support you.
7. Ensure all employees have acquired basic skills in Maths, English and Digital and support employees wishing to reskill into new technical or job-specific areas.

Involve and empower

8. Involve the people who will be affected in both the decision-making process and how those decisions are carried out. Be as transparent as possible about the criteria being applied for restructuring.
9. Ensuring employees have a voice, either through union representation or through employee representatives who can offer

confidentiality and anonymity, will open up conversations, provide a vehicle for honest feedback and new ideas. Liaise with your employee networks, if you have them, e.g. Women's networks, Race and Ethnicity networks, carers groups, LGBT+ and Generations networks to understand how you can best support the needs of different groups within your workforce.

How BITC can help

BITC helps employers to become more responsible and tackle society's biggest issues. Employment support includes equality and diversity, wellbeing, disadvantaged groups, future skills and a productive workforce. Our Equality Impact Assessment (EIA) advisory product supports businesses facing restructures or redundancies, helping to lessen the impact on disadvantaged groups by guiding them through the EIA process.

BITC recommends using EIA across all demographic groups including:

- Race
- Gender
- Age (older and younger workers)
- Disability
- Low-paid staff (earning under the real Living Wage as set by the Living Wage Foundation)
- Carers

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Talk to one of our expert team [today](#) to learn how membership of BITC can help you take your responsible business journey further, and drive lasting global change.

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- i [UK poverty: the facts, effects and solutions in a cost-of-living crisis](#), Big Issue (Jan 2024).
- ii [The Cost of Living Crisis and Its Impact on Businesses](#), Funding Circle, (June 2023).
- iii [ONS](#), 2023
- iv [ACAS](#), 2023
- vi [McKinsey](#), 2020
- vii [OECD](#), 2022
- viii [Citizens Advice](#), 2020
- ix [ONS](#), 2014
- x [The University of Manchester](#), 2014
- xi Syed, M, Rebel Ideas, (2019)
- xii [Deloitte 2019](#)
- xiii [Social Mobility Commission](#), 2020
- xiv [The Entrepreneurs Network](#), 2023
- xv [McGregor-Smith Review](#), 2017
- xvi [McKinsey](#), 2023
- xvii [McKinsey](#), 2023
- xviii [Acas, Managing staff redundancies](#)
- xix Social Mobility Commission (2019) *State of the Nation 2018-19: Social Mobility in Great Britain*
- xx [LeadershipIQ](#)
- xxi [Forbes](#), 2023
- xxii [Randstad](#), 2018
- xxiii [Goldman Sachs](#) 2023
- xxiv Case study originated: [Use Purpose to Transform Your Workplace \(hbr.org\)](#)