Redundancy checklist
A guide for employers and HR managers
Redundancy checklist

The following checklist is intended as a good practice guide for making redundancies. It does not provide precise guidelines as circumstances may vary from one workplace to another. If you are unsure of the correct procedural requirements, you should obtain industrial relations or legal advice.

1. Evaluate alternatives to redundancy
Federal and state laws require employers to explore other options to making positions redundant. These could include:
- Retraining
- Reducing overtime
- Transfers
- Getting people to use up accumulated leave
- Temporary shutdowns
- Cutting costs in other areas
- Natural attrition.

2. Determine whether the redundancy is genuine
For the redundancy to be genuine, you need to be able to show the position's duties no longer need to be done or the duties are to be shifted to other workers. If this is not the case, the employee may be able to claim unfair dismissal.

Possible reasons for making a position redundant include:
- New technology means your business no longer needs certain skills or duties to be done
- Your organisation needs to reduce staff numbers to avoid bankruptcy
- Your business is merging with another and there will be duplicate positions.

To demonstrate redundancy was the last resort, keep financial and other records to support your decision eg cash flow projections or other financial statements. If there is a claim for unlawful dismissal or discrimination, you will need to demonstrate how you selected employees and show how you explored other options to redundancy.

3. Consult with employees and unions on the planned changes
If you are planning to make multiple redundancies (15 or more), most awards require consultation with affected employees and any unions that represent them. Even where there are no legal consultation requirements, early consultation with workers (and unions), even in confidence, is recommended. They may already know there are problems, and ongoing communication will reduce the potentially damaging effects of rumours. It may also ease the process and give you invaluable ideas on how to reduce the impact of job loss on your employees.

Consultation should be genuine and not just window-dressing. Explain that the organisation is considering making a number of positions redundant. Do not identify particular roles but be forthcoming with the reasons for redundancies. Advise employees not to discuss the matter with clients or other stakeholders, but encourage them to discuss it with their union. Set up set periods when management are available to answer any questions or concerns.

4. Decide whether the redundancy process will be compulsory or voluntary
You can offer employees the option to resign without a compulsory selection process. Advise those applying for voluntary redundancy of their entitlements should their application be accepted. Remind the employee that discussing the matter with other employees or clients could be considered misconduct.
When assessing an application for voluntary redundancy, consider:

- Whether the company will require the employee’s skills in the future
- If acceptance will resolve the requirement to make positions redundant
- Whether other employees are more suitable candidates for redundancy.

Confirm verbally and in writing their application has been accepted or rejected. If rejecting an application, give a reason so there is no perception of unlawful or discriminatory reasons. If accepted, agree on the redundancy payment and date of departure. Consider making a deed of release form part of the acceptance.

5. Conduct a fair selection process
When conducting a redundancy process, you should adopt fair and objective criteria in deciding:

- Which employees to retain
- Which employees to make redundant
- How employees affected by redundancy will be treated.

Some criteria, such as union membership, illness, age, race, sex and religion, may expose your business to claims of discrimination, unfair dismissal or dismissal for a prohibited reason. Seek advice to ensure the proposed process and selection criteria are not discriminatory or flawed.

Your decision should relate directly to the employment circumstances, not to incidental concerns. Evaluate each employee based on their individual skills and your future workforce requirements. Keep in mind the skills and knowledge you might need again when business bounces back, and what it will take to replace them. Some positions and duties will be essential to cash flow, safety or compliance.

6. Calculate the legally required notice period or payment in lieu of notice
The employee’s award, contract, enterprise agreement or Fair Work Act 2009 will list the legally required minimum notice period. Payment in lieu of notice is payment equal to the wages for the notice period, and is an alternative to having an employee work to the end of the notice period. This payment is in addition to any redundancy payments to which the employee is entitled. Remember to calculate (and pay) the employee’s superannuation to the end of the notice period.

7. Work out final payments for redundancy
Redundancy entitlements are set out under the National Employment Standards, however an employee’s award, agreement or contract may also include entitlements which may be more generous than the standard legislative entitlements. Workers employed for less than 12 months, casual workers or people employed by a small business (fewer than 15 employees) are not generally entitled to redundancy payments, but must be paid other eligible entitlements.

Payments can include:

- Severance pay
- Unused annual leave
- Unused rostered days off or time in lieu
- Long service leave
- Unused sick leave if an agreement or contract specifies it
- Any other entitlement specified under an award, agreement or common law contract
- Any extra payments.

Prepare a document for the employee setting out their payments and how these were calculated, and include an Employment Separation Certificate.
8. Meet affected employees
If possible, implement redundancies in person, not by correspondence. Advise affected employees (and their union/representatives if applicable) of the final decision, and confirm it in writing. The letter should set out the termination date, detailed calculation of all payments, list of other entitlements to be provided (such as outplacement support), and other procedural issues (such as return of any company property and confidentiality requirements). Consider using a third party eg a lawyer to check calculations and ensure compliance with legal requirements.

It is good practice (and reflects well on your corporate brand) to offer specialist support such as outplacement programs, job search services and/or time off to look for work and investigate retraining opportunities. In some cases, this will be mandatory under the employee's award, agreement or contractual provisions. Outplacement consultants can attend on the day of notification to assist with informing employees and to commence with immediate outplacement support.

Consider providing the line managers tasked with telling employees of their redundancy with notification training to handle what can be a stressful experience for both parties.

9. Follow the correct procedures for a departing employee
- Ensure they return company property such as uniforms, tools, security passes, vehicles etc
- Change passwords to block their access to company computers and security systems
- Provide a group certificate at the end of the tax year.

10. Communicate with remaining staff
Be open and honest with remaining employees to reduce any sense of uncertainty and fear. Reassure them this is the conclusion of the redundancy process. Meet with staff members who will be taking on different or additional duties or other responsibilities as a result of the restructure and explain their role to the future of the organisation.

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