

## Why reducing the size of the workforce might be necessary

**Workforce planning** is where a business decides on the type and number of employees needed in the future. The number required will depend upon the business's sales forecasts, its future plans such as expansion or automation, and its objectives, for example, introducing new types of products. Often businesses will require additional employees when they are expanding, but sometimes they will need to downsize the workforce (reduce the number of employees). This can be because of:

- » introduction of automation
- » falling demand for their goods or services
- » factory/shop/office closure
- » relocating their factory abroad
- » a business has merged or been taken over and some jobs have become surplus to requirements in the newly combined business.

When it has been decided how many employees will be required and what their skills need to be, the Human Resources department can plan how this will be achieved by:

- » finding out the skills of all the present employees
- » not including anyone who will be leaving soon, for example, due to retirement

- » consulting with existing staff as to who could and would want to retrain to fill the new jobs
- » preparing a recruitment plan to show how many new staff will be needed and how they should be recruited (internally or externally).

If a business needs to reduce the number of employees, this can be done in one of two ways:

- » **dismissal**
- » **redundancy.**

Workers may also leave their job because they:

- » retire (they are getting older and want to stop working)
- » resign (because they have found another job).

## Dismissal

This is where a worker is told to leave their job because their work or behaviour is unsatisfactory. For example, an employee who was constantly late for work and who, despite being given warnings, continued to be late, would probably be dismissed. An employee who was caught stealing or who was unable to do the job to a satisfactory standard would be dismissed. In some countries, an employee can take the business to court if they feel they were unfairly dismissed. Therefore a business needs to make sure it has followed all the laws in its country before dismissing a worker.

## Redundancy

There may be occasions when a number of employees will no longer be needed, through no fault of their own, for example, during a period of falling sales resulting from an economic recession.

When an employee is made redundant, they may be given some money to compensate them for losing their job. In some countries this is laid down in law, for example, one week's wages for every year that the employee has worked for the business.

### Which workers to make redundant?

The following factors help a business to decide which workers to make redundant and which to retain:

- » Some workers may volunteer and be happy to be made redundant – because they may have another job they can go to, they want to retire early or they want to start their own business.
- » Length of time employed by the business – workers who have worked for the business for a long time are often retained. They will have the most experience and be the most expensive to make redundant, if redundancy payments are made.
- » Workers with essential skills that are needed by the business or whose skills could be transferable to other departments are often retained.
- » Employment history of the worker – whether they have a good/poor attendance, punctuality or appraisal record.
- » Which departments of the business need to lose workers and which need to retain workers.

## Legal controls over employment