

# Struggling companies risk ignoring employment law at their peril

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**N**O-ONE can underestimate the scale and devastating impact that the meltdown in the financial markets and systems has had, and will have, on the UK and world economies. But even if you can understand the financial Armageddon in the world banking and financial systems, you could also easily be forgiven for thinking that it is the only show in town.

I cannot recall a time when one subject (other than war) has dominated the news, and our lives, so completely. And worse, there appears to be no end in sight to the economic uncertainty at every level – global, national and local.

This is despite central government bail-outs that most of us find overwhelming to comprehend let alone understand – £50 billion could easily be £500bn. To most



David Hughes

people the scale of the numbers are unbelievable.

But amid this financial shambles, and the solutions being concocted by government with taxpayers' money, the plight of ordinary businesses must not be overlooked.

Behind the scenes of high-level talks in Iceland, intervention by the IMF and co-ordinated interest rate reductions by governments

across the globe, in the real world businesses in Scotland are forced to get on with the day job.

And the day job is increasingly difficult, if not unpleasant.

While the financial system is propped up, more and more businesses are struggling with the triple whammy of falling orders, shrinking lines of credit and the economic downturn, which was probably coming our way anyway.

Unemployment is rising and the CBI has warned that it will rise to over two million, if not more.

Already we are seeing more and more companies go into administration – just last week a leading electronics company joined the growing list of businesses in difficulty.

And where is the help for them? All they can hope for is that the ad-

ministrators effect a quick sale and that they have a future.

For those still in business, the wholesale uncertainty in the financial system is making it difficult if not impossible for businesses to plan ahead with any great confidence.

As such, companies the length and breadth of Scotland will be thinking hard about their cost base. And it is happening across all sectors, not just housebuilders and financial institutions. Service businesses are also starting to look at how to trim overheads in order to stay in business.

Usually, first on the list is staffing. Reducing the headcount offers the quickest and most direct impact on costs. And given the economic uncertainty, who can blame anyone running a business thinking long and hard about

making staff cuts, and then taking action?

Given that we have had more than ten years of relatively benign economic conditions, most of these companies and their management are going to have to address this issue for the first time. It will be painful, but it is also important to avoid turning a drama into a crisis.

In these circumstances it always pays to plan carefully and consider the alternatives:

- Part-time working or subcontracting;
- A pay cut rather than a job cut;
- Lay-offs and changes to conditions of employment.

Whatever course of action is decided upon, the law requires that companies warn employees about possible redundancy and then consult fairly before taking an ac-

tion. Following a robust and genuine consultation process will provide the double benefit of minimising risks from employee claims and shoring up the loyalty and commitment of the remaining staff.

Intervention by government to help the ailing financial system may seem unfair, but it will ultimately restore confidence and stability – we hope. In the meantime, regardless of your view, we are all bound to follow employment law.

The risks of non-compliance far outweigh the benefits of abiding by the proper process. Plus it is the right thing to do, whatever is happening elsewhere.

● David Hughes is a partner and employment law specialist in the Edinburgh office of McClure Naismith