



# REDUNDANCY SETTLEMENTS IN THE CRISIS 2008-2013

***'Redundancy Settlements in the Crisis, 2008-2013'***, is a special IRN analysis of over 400 individual severance deals across the private and public sectors in Ireland over the past six years.

The period surveyed starts with the onset of the 'Great Recession' in January 2008 and charts settlements up to the Autumn of 2013. This easy to access compendium features:

- Agreements listed sector-by-sector, on year-by-year basis;
- Overview of agreements, including analysis of trends;
- Case studies, including trends in the public sector, banking and in non-union firms;
- Current legal issues arising in redundancy situations.

It would be a surprise if the previous gradual upward trend in settlements during the Celtic Tiger years had not been affected by the continuing economic crisis at home and abroad. The question is by how much? Some sectors have witnessed major changes in the level of redundancy pay, but some have been left relatively unchanged.

Inevitably, where the recession has bitten the deepest, the trend in severance terms has tended to fall, although 'political' factors – such as is evidenced in the fall off in previously generous terms available to bank employees – are also strongly in evidence.

We hope our readers find this publication a valuable addition to our coverage of this area and that new readers will also regard it as a vital element in their decision-making toolkit.

**To obtain a copy of this special report, contact Julie Colby at IRN: [julie@irn.ie](mailto:julie@irn.ie) or 01-4972711.**

**Cost €95 for existing subscribers; €495 for non-subscribers.**



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COVERING: CHEMICALS, PHARMACEUTICALS &  
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PACKAGING AND OTHER SERVICES



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Dublin 6

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€495

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## Review of severance deals and cases, 2008-2013

**The economic crisis of the last six years – with a total of 268,114 redundancies from the start of 2008 to the end of June 2013 – has led to more and more employers providing lower severance payments than in the past.**

But this trend is by no means across the board, with at least half of employers still paying the same level of severance payments as before the crisis.

In most industry sectors, at least some employers are reducing severance packages. But even in these sectors there are at least as many employers who are maintaining previous severance precedents, and sometimes those reducing severance are very much in a minority.

In a few sectors, such as pharmaceuticals and medical devices, almost all employers are keeping to the same level of severance package as in previous years. Several of the sectors with the strongest downward pressure on severance terms are those with a link to the State, such as the public service, commercial semi-states and the banks.

When analysing whether employers are paying the same severance as before the crisis, IRN used previous severance terms reported by IRN since 1997 in companies that were implementing redundancies in 2008-2013.

When the issue of severance payments has come before the Labour Court, it has tended to back previous precedents in the organisation in question, although comments made by the Court in at least one case do not rule out a different approach in the future, if a downward trend was to be established.

### CUT IN EMPLOYER REBATE

One issue to watch in the immediate future is the abolition of the employer rebate on statutory redundancy, from 60% up to December 2011 to 0% from January 2013. This adds about 1.2 week's pay per year of service to employers' net redundancy costs (i.e. 60% of the two weeks' pay per year of service), although this

extra cost is capped at €540 per year of service (or 90% of the €600 per week ceiling on statutory redundancy).

When this change was announced in the 2012 and 2013 Budgets, employers warned that in negotiations on severance packages from now on, they would seek to recover this extra cost through lower enhanced severance payments. Unions, however, said they would continue to seek the same enhanced severance packages as were paid previously.

It is understood from union sources that any downward pressure on severance terms in 2012 so far, resulting from the change in the employer rebate, is hard to distinguish from the general downward pressure from employers on severance. This may be true of those companies which had been seeking lower severance terms before the change anyway, merely hardening their resistance to paying packages agreed in better economic times.

The rebate change may, however, also hit severance terms at those companies which were keeping to previous precedents up to now. It represents an easily quantifiable increase in severance costs which can be cited in negotiations – rather like the increase in statutory severance payments in 2003, which resulted in many enhanced payments being reduced to ensure there was no extra net cost to an employer paying an enhanced package. In two Labour Court cases from mid-2013, at National Rusks and Unilever, the employer side cited the abolition of the rebate as one of a number of arguments for reducing enhanced severance terms when compared with previous packages.

### THE LABOUR COURT'S STANCE

Over this five-year period, the Labour Court's stance on severance payments, in the face of employer claims that lower severance should apply given the economic situation, has generally been to comply with whatever precedent package applies in that employment.

For example, at construction firm **CLG Developments** in 2009 (LCR19535), the Court recommended the same

# SEVERANCE REVIEW TABLES 2008-2013

This table contains over 400 agreements, divided into eleven sectors. Settlements within each sector are listed year by year, starting in 2008, and alphabetically within each year. Some abbreviations are used: ‘pys’ (per year of service), ‘SE’ (statutory entitlement to redundancy payment) and ‘DB’ (defined benefit pension). In the reference column, the IRN references include the issue number and year of publication, while Labour Court references are also included where relevant.

## ELECTRONICS, ENGINEERING & OTHER MANUFACTURING

Company/Union/Nos	Severance Payment	Remarks	IRN Ref
<b>Filtertek</b> Co. Limerick 50 (SIPTU)	4 weeks' pay (pys) plus SE, plus pay in lieu of notice. Average pay included in calculations on the package.	Terms voluntary at first, but provision for compulsory redundancies on a last-in, first-out basis.	<i>IRN 2/09</i>
<b>Flextronics</b> Cork 130 (SIPTU, non-union)	6 weeks pay (pys) inc SE, with no cap.		
<b>Geith International</b> Co. Meath 20 (SIPTU, non-union)	4 weeks' pay (pys), plus SE, plus PILON.		
<b>Hope Industries</b> Co. Galway 50 (SIPTU, TEEU)	4 weeks' pay (pys), plus SE.	Closure situation.	
<b>Intel Ireland</b> Co. Kildare 494 (non-union)	6 weeks' pay (pys), plus SE.	200 voluntary redundancies in early part of year, followed in July by announcement of 294 compulsory redundancies.	<i>IRN 8 &amp; 28/09</i>
<b>Kostal</b> Abbeylea, Co. Limerick & Mallow, Co. Cork 300 (SIPTU)	Voluntary package: 3 weeks' pay (pys), plus SE, with no cap and inclusive of shift and overtime pay, plus €250 for each of the first 8 years of service. Compulsory package: same as above, except that 3 weeks element increases to 4 weeks in the case of compulsory redundancies.	Voluntary package in the first instance and if not enough volunteers, compulsory terms applied. 200 redundancies at Abbeylea from 650-strong workforce; 100 at Mallow from 450 workers. Company makes automotive components.	<i>IRN 8/09</i>
<b>Molex</b> Co. Clare 100 (non-union)	6 weeks' pay (pys), inc SE, with a cap of 2 years' pay for those under 20 years' service and a cap of 2.5 years' pay for those over 20 years' service.	350 workers remained after this round of redundancies.	<i>IRN 7/09</i>
<b>RR Donnelly</b> Limerick 470 (non-union)	6.5 weeks' pay (pys), inc SE, with a 20% shift allowance included in calculations and €500 added to package. No cap applied.	Compulsory redundancies in closure situation, following Dell manufacturing closure.	<i>IRN 9/09</i>
<b>Standex</b> Co. Laois 2 (SIPTU)	1 week's pay (pys), plus SE.		
<b>Taconic</b> Co. Westmeath 30 (SIPTU, others)	4.5 weeks' pay (pys), inc SE, with no cap.	Closure of one of the company's two plants in Mullingar.	
<b>Waterford Crystal</b> Waterford 800 (Unite)	Claim by union for enhanced redundancy, an increase in the duration of phased payments, a guarantee of payments & honouring of a 2003 deferred pension arrangement. The Labour Court rejected the first two claims, noted the company's commitment to pay & recommended further talks on the 2003 deferred pension arrangement.	Company went into receivership just before the Court's recommendation was issued. SE only paid to all 800 workers. Company sold in 2009 to a US-based equity fund, KPS, which established a new company, WWRD. WWRD set up a small manufacturing operation in Waterford making Waterford Crystal products. It includes a showroom and tourist trail.	<i>LCR19433</i>

## SERVICES (OTHER)

Company/Union/Nos	Severance Payment	Remarks	IRN Ref
<b>Fujitsu (Ireland)</b> Dublin A worker (Kilroy solrs)	4 weeks' pay (pys) plus SE recommended by Labour Court in <i>LCR19864</i> . Worker had been paid SE plus €286.25 only.	Employer did not attend hearing, but set out its position to the Court in writing.	<i>LCR19864</i>
<b>G4S</b> Limerick Up to 20 (SIPTU)	Two weeks' pay (pys), plus SE. Terms recommended in <i>LCR19803 &amp; 19806</i> .	Contract security and cleaning staff in the R.R. Donnelly (Banta) Global Turnkey site were made redundant, as Limerick operations ceased.	<i>IRN 20/10</i> <i>LCR19803</i> <i>&amp;19806</i>
<b>G4S</b> Wexford 1 (SIPTU)	Worker should accept same severance package as 100 others at company, says Labour Court in <i>LCR19863</i> .	Worker had argued that since the option of a transfer would mean two extra hours' commuting, his redundancy was effectively compulsory rather than voluntary.	<i>LCR19863</i>
<b>Galway Airport</b> Galway 4 (SIPTU)	5 weeks' pay (pys), inclusive of SE and notice entitlements.	Severance terms agreed at LRC to avert a threatened strike. Four workers involved had objected to new contracts for fire crew.	<i>IRN 28/10</i>
<b>Hoyer Ireland</b> Co. Carlow 1 (SIPTU)	4 weeks' pay (pys), inclusive of SE, plus €4K lump sum, to be paid if the company could not provide work within 13 weeks, at the same levels as 2007 and at a location near to his place of employment at that time.	Worker had been on continuous temporary layoff for some time but had not been made redundant. Company said he was on a panel of relief drivers but had declined both temporary and permanent work.	<i>LCR19976</i>
<b>ISS Ireland</b> Dublin 28.5 FTE posts (SIPTU)	Payment of a sum equivalent to the 60% rebate applicable to each individual employee's redundancy payment. Terms recommended in <i>LCR19737</i> .	Redundancies sought as ISS agreed to reduce the value of its cleaning contract with Iarnrod Eireann by €1.9 million over three years.	<i>IRN 12/10</i> <i>LCR19737</i>
<b>Marine Terminals (MTL)</b> Dublin Port Up to 24 (SIPTU)	6 weeks' pay per year of service, inclusive of SE, for those who have accepted voluntary redundancy. 6 workers made redundant on a compulsory basis were also to receive 6 weeks' pay per year of service, as well as six weeks pro-rata for part year's service.	MTL gave notice of 19 redundancies in May 2009. SIPTU accused MTL of imposing compulsory redundancies. The union referred the dispute to the Redundancy Panel under the 2007 Protection of Employment (Exceptional Collective Redundancies and Related Matters) Act. The settlement, bought about through an International Transport Federation intervention, makes reference to the Labour Court's recommendation of October 12, 2009, and the Arbitrator's findings issued on January 5, 2010.	<i>IRN 8/10</i>
<b>Montrose Hotel</b> Dublin 100 (SIPTU)	60% statutory redundancy rebate, paid to employer by the Government, to be paid to workers affected by replacement of old hotel with budget hotel operation.	Union had sought 3.5 weeks' pay (pys), inc SE. Hotel in NAMA and said it could not afford statutory severance.	<i>IRN 43/10</i> <i>LCR19939</i>
<b>National Linen</b> Galway 86 (SIPTU)	3 weeks' pay (pys), plus SE, with a ceiling of 104 weeks' pay applying to ex-gratia element.		