



REDUNDANCY SETTLEMENTS IN THE CRISIS 2008-2012

***'Redundancy Settlements in the Crisis, 2008-2012'*, which will be published this Friday, is a special IRN analysis of over 400 individual severance deals across the private and public sectors in Ireland over the past five years.**

The period surveyed starts with the onset of the 'Great Recession' in January 2008 and charts settlements up to the Autumn of 2012. 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 or 01-4972711.

Sample pages follow...



REDUNDANCY SETTLEMENTS IN THE CRISIS 2008-2012

COVERING: CHEMICALS, PHARMACEUTICALS & MEDICAL DEVICES, COMMERCIAL SEMI-STATES, CONSTRUCTION AND RELATED INDUSTRIES, DISTRIBUTION & RETAIL, ELECTRONICS, ENGINEERING & OTHER MANUFACTURING, FINANCIAL SERVICES, FOOD & DRINK, MINING, PUBLIC SERVICE & PUBLICLY-FUNDED VOLUNTARY SECTOR, PRINTING, PUBLISHING & PACKAGING AND OTHER SERVICES



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Review of severance deals and cases, 2008-2012

The economic crisis of the last five years – with a total of 246,401 redundancies from the start of 2008 to the end of July 2012 – 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 2008-2012.

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 reduction in the employer rebate on statutory redundancy, from 60% to 15%. This adds about 0.9 week's pay per year of service to employers' net redundancy costs (i.e. 45% 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 last December's Budget, 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 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.

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 terms of 2.5 weeks plus statutory that it had recommended just a year earlier. Also, in 2009

SEVERANCE REVIEW TABLES 2008-2012

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
UTC Fire & Security / Dublin 190 (SIPTU, non-union)	4 weeks' pay (pys), plus SE. Shift, monthly bonus, overtime, on-call, supplements for additional duties, car allowances, car BIK and health insurance included. A week's pay calculated as an average of total earnings over 26 weeks, 13 weeks before each worker's end date. An individual payment of €1,000 made at the time of redundancy. A €250 voucher paid in December 2010 and a €100 voucher in January 2011. If a worker wished to leave early, this was to be accommodated subject to business needs, but the company reserved the right to use agency workers to fill the vacancy. But after January 2011, if agency workers required, those due to leave at that time were to be given first option of delaying their redundancy.	Compulsory redundancies due to the closure of the Tallaght plant. Workers were to leave over the course of 2011.	IRN 46/10
2011			
Johnson Manufacturing Co. Mayo 8 (SIPTU)	Labour Court said 3 weeks' pay (pys), plus SE, plus 60% Government rebate on SE, should be paid by the company to all of the affected workers, as per the existing agreement.	Court recommended on two separate claims by separate groups of workers at the same company: 5 got 3 weeks (pys) plus SE, but no rebate, and 3 got no enhanced severance at all, just SE.	IRN 13/11 LCR20005 LCR20010
Quality Plastics Cork 28 (SIPTU)	4 weeks' pay (pys), inclusive of SE, with a 'minimum payment' pro rata to previous redundancies, at €3,500 for voluntary redundancy and €6K for compulsory. Terms recommended by Labour Court in LCR20126 and clarification sought on minimum payments.	Redundancies voluntary at first. Company said its parent company only allowed a limited 'pot' for enhanced severance payments.	IRN 30/11 LCR20126
Shannon Aerospace Co. Clare 122 (SIPTU, non-union)	6 weeks' pay (pys), inclusive of SE, with a cap of 126 weeks' pay.	Voluntary redundancies in cost-cutting programme. 107 redundancies sought initially, but further 15 redundancies accepted by company when the programme was oversubscribed.	IRN 20/11
2012			
Logstrup Co. Galway SIPTU, Unite	2.5 week's pay (pys), plus SE, recommended by Labour Court in LCR20326. While the company said it did not pay enhanced severance, the Court said that "in this jurisdiction the practice of paying enhanced redundancy is so well-established in industrial relations that it can now properly be regarded as the norm".	Redundancies due to the company's decision to move a substantial amount of its production to the parent company in Denmark.	IRN 30/12 LCR20326
Waterford Crystal Waterford 382 (Unite)	Payments of €600 to €2,500 each following settlement over the surplus in a disability fund at the time the company went into receivership in 2009.	As much as €1.28 million surplus in fund and union took court case to secure some for workers. Settlement led to 60% for workers, 40% for the company's receiver.	IRN 14/12

SERVICES (OTHER)

Company/Union/Nos	Severance Payment	Remarks	IRN Ref
Servisair (IBEC) Dublin (2) SIPTU	Labour Court said in <i>LCR19992</i> that these two workers should have the same enhanced severance terms as other Servisair workers made redundant at the same time.	Union claimed these two workers – who had only transferred from Aviance the previous month – were unaware there were ongoing talks on severance for other Servisair workers. Company told Court in a letter that the enhanced package had not been agreed when the 2 workers accepted their package.	<i>LCR19992</i>
Siemens IT Solutions Cork 20 (CWU, non-union)	3.68 weeks' pay (pys), plus SE.	Severance terms made available to those who did not wish to transfer from Cork, to Reading in the UK.	<i>IRN 17/11</i>
Spring Grove Services Dublin SIPTU	2 weeks' pay (pys), plus SE, plus 25% of the employer rebate from the Government. Also, for those who remain and benefit from a loss of earnings compensation formula, but then decide to leave within 6 months, SE only would be made available.	Voluntary severance terms offered in the context of a major cost-cutting programme with very significant pay cuts and other changes.	<i>IRN 26/11</i>
Westbury Hotel Dublin SIPTU	5.5 weeks' pay (pys), inclusive of SE - recommended by Labour Court in <i>LCR20107</i> .	Severance was part of a wider cost-cutting plan worth €800K.	<i>IRN 27/11</i> <i>LCR20107</i>
William Hill Nationwide 80 (SIPTU)	3 weeks' pay (pys), plus SE.	Redundancies due to closure of 20 shops in different locations from March 2011. Terms based on those offered in previous 2009 closures.	<i>IRN 14/11</i> <i>IRN 9/09</i>
2012			
Aero-Clean Ireland 1 (SIPTU)	2 weeks' pay (pys), plus SE, decided by the Labour Court in <i>AD1253</i> , upholding a Rights Commissioner recommendation for the same amount.	Part-time cleaning operative claimed enhanced redundancy, while company said it could not afford enhanced redundancy.	<i>AD1253</i>
Aramark Food Services Galway 2 (SIPTU)	2 weeks' pay (pys), plus SE, recommended by Labour Court in <i>LCR20328</i> . Court noted that the redundancies were compulsory.	Workers made redundant from the company's catering contract at NUI Galway.	<i>IRN 29/12</i> <i>LCR20328</i>
Lake Communications Dublin 30 (non-union)	3.5 weeks' pay (pys), plus SE, all capped at 1 year's salary. These enhanced terms conditional on not working with a competing company for a six-month period. Terms offered by company, no union involved.	In a previous round of redundancies, similar severance had been offered and some workers were recommended higher severance by the Labour Court.	<i>IRN 3/12</i> <i>IRN 24/11</i> & <i>LCR20082</i>
Lufthansa Airmotive Co. Dublin 40 (SIPTU, non-union)	4 weeks' pay (pys), plus SE, capped at 104 weeks' pay.	Voluntary redundancy programme for 'indirect' workers (i.e. clerical and administrative staff). Terms are lower than those offered in 2011 at another Lufthansa subsidiary, Shannon Aerospace.	<i>IRN 27/12</i>