

CRISIS MANAGEMENT FOR TOURISM BUSINESSES

INTRODUCTION

The tourism industry in London is critical to the economy of London. The image of London around the world is shaped by the experiences of the millions of visitors that we receive every year and this directly affects investment. A successful tourism industry builds a successful London.

The last few years have brought many challenges to our tourism economy; terrorism, disease and war have all made it harder to sell London to the world. .

This latest incident will be another setback, but we can work together to overcome the fears and worries of our visitors and rebuild their confidence. The mantra must be 'business as usual' as this is the best way to prevent terrorism from winning.

This Guide

The London Development Agency and Visit London has developed this guide for the tourism industry in London. Its aim is to help tourism businesses through the first few weeks of this crisis; to give some advice and guidance and to signpost the many sources of further help and support. There are 5 sections:

- Tourism in London
- Looking after your customers
- Media messages and marketing
- Looking after your business
- Looking after your staff

It is a general guide but it is supported by references to more detailed help and advice in the Further Contacts section.

Tourism in London – Who Does What?

The Mayor

The Mayor of London has statutory responsibility for London's tourism. The Mayor will be the primary spokesperson on all issues affecting London, including tourism. The Mayor is advised by a number of organisations as follows:

Greater London Authority	<p>The GLA is the elected Assembly for the whole of London. It reviews policy and spending decisions and represents the views of all constituencies to the Mayor</p> <p>http://www.london.gov.uk/</p>
London Development Agency	<p>The LDA is an executive body that is responsible to the Mayor for the economic development of London. The Mayor has devolved responsibility for the delivery of the Mayor's Plan for Tourism and the Action Plan to the LDA. The LDA provides a substantial grant to Visit London for the promotion of London.</p> <p>The LDA has responsibility for planning and coordinating the public sector response in the event of a crisis that could affect the tourism industry in London.</p> <p>During this current crisis the LDA will set up and run a coordinating group with all of the main partner organisations.</p> <p>The group will discuss and agree all recovery activity and the use of emergency funds.</p> <p>http://www.lda.gov.uk</p>
Business Link for London	<p>Business Link is the agency responsible for providing business support to the 330,000 small and medium sized businesses in London. It has a special interest in tourism and works with all the other agencies to help tourism businesses survive and thrive.</p> <p>http://www.businesslink4london.com/</p>
London Resilience	<p>London Resilience is a strategic partnership that is working to ensure London is prepared for major incidents or catastrophes. It embraces all key organisations and bodies in the capital in both the public and private sector. It operates the primary information source for London – the website London Prepared www.londonprepared.gov.uk. This will be continuously updated and contains a wealth of useful information.</p>

Visit London	<p>Visit London is the marketing agency for tourism in London. Its aim is to promote London as the world's most exciting city by marketing to domestic and overseas leisure and business visitors, as well as Londoners themselves.</p> <p>http://www.visitlondon.com/corporate/</p>
Visit Britain	<p>VisitBritain is the marketing agency for the whole of Britain with a network of offices overseas. These offices promote travel to Britain and run PR and advertising campaigns in over 30 countries.</p> <p>http://www.visitbritain.org/ukindustry/</p>

All of these agencies will have a single focus – to work together to get visitors back and to help the tourism industry in London recover from the latest blow.

LOOKING AFTER YOUR CUSTOMERS

News travels fast so your customers will soon be in touch. What are you going to say to them? What should your staff say? It is important to brief both customers and staff on the situation as it unfolds. Your staff need to understand how enquiries are to be handled as they are your interface with the customer and they can win or lose business.

CUSTOMERS THAT ARE WITH YOU NOW/NEXT FEW DAYS

Safety

Your number one priority must be the safety and security of your staff, your customers and yourself. To do the right thing you need reliable information. Work through the following questions:

1. What information/advice is being given by the police?
2. What information is available on www.londonprepared.gov.uk?
3. Is everyone aware of the Help Line number for enquiries about friends/relatives? **0870 1566344**
4. What facilities in your neighbourhood are operating/not operating?
5. What transport systems are affected in your area?

Use the answers to these questions to prepare a bulletin for your staff and customers. The tone should be factual and calm with an absolute emphasis on following security advice. Even at this early stage the aim should be to operate 'business as usual' as much as is possible.

Websites

We live in an era of instant communication and your customers will use websites to inform themselves. It is important that you review your own website and post some information on there immediately. This can be developed over the next few days but a brief statement reassures customers that you are well prepared.

BVLC

The Britain and London Visitor Centre in Lower Regent Street is open 7 days a week. This is a good place to recommend to your customers for information and advice about the whole of London.

Address 1 REGENT STREET LONDON
SW1Y 4XT

CUSTOMERS THAT WANT TO CANCEL

Cancellations and Customer Service

In most cases customers will cancel for a reason that is genuine and important to them. If you or your staff are dealing with cancellations it is worth remembering that he/she may be a customer in the future. It is highly desirable to part on good terms if you can.

It is inevitable that some visitors to London will decide to cancel or postpone their visit. They may feel that they would not be able to do all the things that they had planned so they would prefer not to come at all. If this happens where do you stand?

Your Cancellation Policy

Your legal position will depend on your cancellation policy. If you do not have one in place it may well be something you want to consider for the future as it avoids any ambiguity. Having a written cancellation policy that visitors agree to at the time of booking will make life considerably easier should it be necessary to make a claim for losses from cancelled bookings.

Cancellation provisions within the contract can only be applied when these terms were made clear at the time of booking. When the booking is subsequently cancelled you have the right to invoice for whatever monies are outstanding (having deducted any deposit paid). If the guest then refuses to pay it might be possible to charge the amount against his/her credit card or you may have to resort to the Small Claims Court. Any County Court can provide information about this procedure which applies to any claim under £5000.

Credit Card Bookings

Accommodation, theatre tickets and tours booked on the telephone will often be confirmed by credit card. It is important that customers are advised at the time of booking that their card will be charged in the event of cancellation and that the guest accepts that condition. To protect your position, it is best to give reservations staff a script to follow or issue a written confirmation. This will provide proof to the credit card company that you met their conditions.

The Legal Framework

If you do not have a cancellation policy and wish to clarify your position, this is a summary of the legal position.

Please note that this advice is a guide only and you must take specific advice from your legal advisor with respect to your individual situation. An excellent guide is the Pink Book available from Visit Britain <http://www.visitbritain.org.uk/industry/>

What the Law Says

In the eyes of the law, providing accommodation is different from providing a holiday. If the hotel or B&B is still open for business then the contract is still valid and can be enforced by the Accommodation Provider. Sometimes, the contract may be considered to be “frustrated” for example:

- When access to that hotel/B&B is restricted and under quarantine or security controls (so in effect it is no longer available to the customer)
- Access is restricted but the accommodation is still available, however, if the restrictions are considered to be intrusive, the contract may be considered to be “frustrated”

When a contract is deemed to be “frustrated” then neither party can fulfil their obligations through no fault of their own. The Law Reform (Frustrated Contracts) Act 1943 dictates that:

- Any money paid prior to the date that the contract was frustrated is repayable and no further payments need to be made. However, if the accommodation provider has incurred expenses in order to fulfil the booking i.e. advance purchase of food or special equipment such as a child’s cot, then those specific expenses can be recovered from the guest.

- Where the deposit (or the balance) has been received prior to the “frustrating event” the expenses may be deducted from it, so that only the balance is repayable.
- Where the deposit (or balance) was payable, but has not been received, then the Accommodation Provider can require the customer to pay the specific expenses relating to the booking.

It may sound complicated but generally speaking, a contract will only be considered to be “frustrated” in exceptional circumstances. In other circumstances, the position will be dictated by the cancellation clauses within the terms and conditions of the hotel booking contract.

Guest Cancellation

Where a guest cancels a booking or checks out early (and there is no booking condition) then he is in breach of the booking contract he has with you. You may be entitled to claim damages for any losses you suffered as a result. If you want to make a claim then the procedure is:

Attempt to Re-let the Room

You must make every effort to reduce your loss by trying to find new guests. If you re-let the room at the same price, you should have no loss and will have no basis for making a claim.

How Much Money Can I Reclaim?

If you cannot find a new customer then you are entitled to claim damages that reflect the losses you have incurred. This is the value of the booking less the value of any items included in the price which you did not need to supply e.g. food.

Deposit

You may keep the deposit as part payment for any amount claimed.

Lodging a Claim

You can make your claim after the date on which the service was going to be provided has passed. N.B. You will not be able to include VAT as no service has been provided.

What if I Have to Cancel?

If you cancel a booking that you have already accepted, you are in breach of contract. The guest is entitled to claim damages from you to compensate him for any loss. This might include the cost of taxi fares to find alternative accommodation or coaches to transfer guests to another venue. The

customer has a duty to keep their losses to a minimum and may not claim for a 5 star hotel if they originally booked a B&B.

WHAT ALTERNATIVES CAN YOU OFFER?

Resorting to legal process will probably be expensive in time and money so it is always better to find an outcome that pleases both you and your customer.

Credit Notes

If the customer is entitled to a refund they may be persuaded to accept a credit note. This has the advantage of keeping cash in the business and allows you to keep your relationship with your customer. You will need to decide some basic issues:

- Validity of the credit note
- Any special condition e.g. is it transferable?
- Can it be used for other services than those originally booked?
- What will your accounts system need if the credit note is valid in a new financial year?

Transferring the Booking

Your customer may be willing to postpone their visit and wish to book for some new dates. The issues you need to think about here are:

- What is my policy if the new date is in high season and more expensive?
- How will I handle repeated requests for different dates?

Transferring within a Group of Businesses

If your business is part of a group e.g. a group of restaurants, then it may be that you can offer an alternative to the customer that meets their needs. A hotel may be able to offer rooms in a different hotel; an attraction could offer a different venue for a function. The key here is to ensure that you are offering a good alternative to the customer so that they feel that they are getting good service and not being 'shunted around'.

Goodwill and Flexibility

You and your staff will be operating under pressure. Try to remember that this crisis will not last forever and your business is for the long term. If you can keep the goodwill of your customers in these difficult times it will pay dividends in the end.

Travel Advisories

The term 'travel advisories' is a general description of advice issued by governments to their own citizens. This advice is usually featured on the website of the Foreign and Commonwealth Office for UK citizens and the equivalent department for other countries.

A travel advisory has a huge influence on the decision to travel and it also has an impact on a visitors' insurance cover. If a customer has already made a booking and a subsequent event leads to new advice being issued suggesting that a country is not safe to visit, then the insurance companies will usually cover any cancellation costs. It is useful to know what advice has been issued before you deal with enquiries. Be aware that the advice given is constantly reviewed so the situation may change.

CUSTOMERS THAT HAVE BOOKINGS FOR THE NEXT FEW WEEKS

Once you have dealt with those customers who contact you, your next priority will be to protect the business that is 'on the books'. Do not assume that silence means that your customers are happy. Take action now to reinforce the 'business as usual' message.

Being Proactive

Some useful things you can do to protect your business

1. Review your bookings and identify any that are particularly valuable
2. Prepare a message for your future bookings in letter, telephone script and web form.
3. Identify the positive reasons why customers should still travel.
4. Contact all your customers and tell them that you are looking forward to welcoming them.

Reassurance and Being Positive

Your customers will be anxious and have a lot of questions. To protect your credibility adopt a policy of full disclosure about what is known and not known. The backbone of your message to your customers must be factual information that is regularly updated.

It is sensible to put yourself in the shoes of your customer and think about what they might want to do. If some activities are restricted then research some alternatives. Check with your neighbours, the council and Visit London and come up with some ideas for your visitors and then brief staff to suggest these. Remember that today's visitors will be ambassadors for the city when they return home.

MEDIA MESSAGES AND MARKETING

DEALING WITH THE MEDIA

The Mayor of London will be the public face of London for the world's media. In an era of 24 hour news reporting there will be great interest in the tourism industry and the major tourism organisations will also be providing interviews and briefings.

You should work on the assumption that you (or your staff) may be contacted by the media and be prepared. Journalists will always seek out their own sources and look for an original angle on a story so do not be surprised if they contact you. An issue to settle very quickly is the question of who will speak to the media on behalf of your company.

In the early stages you will need to be able to answer common sense questions:

What does the crisis mean for your customers?

How many visitors normally come to XXX and what is that worth?

How many visitors will stay away/cancel?

How much business will be lost and how much revenue does that mean?

What are you doing about it?

This sort of information will be what is required for the first few days or up to a week. Once the initial shock has subsided the demands will change and become more varied and complex.

Providing Material to Your Own Employees

Most travel companies need to deal with global media interest and will get demand for information 24 hours a day. While you may have a policy that limits contact with the media to nominated individuals, you should assume that all staff might be contacted for information. A simple Question and Answer sheet is a good way of ensuring that all of your staff give a consistent message.

Check the Visit London and VisitBritain websites for the latest press releases and media briefings.

Visit London: <http://www.visitlondon.com/corporate/>

Visit Britain: <http://www.visitbritain.org/ukindustry/>

POSITIVE PUBLIC RELATIONS

In everything you do it is important to remember the victims and be sensitive to the loss and grief of others. Trying to keep your business afloat is the right thing to do but this must be done with compassion.

In the early days of a crisis it is very easy to believe that there is only bad news. The danger is that this will create a self-fulfilling prophecy – the tourism industry ‘talks down’ London and therefore visitors stay away.

Taking a positive approach means being realistic but optimistic. Try to develop a focus on what visitors will be able to enjoy and emphasise the welcome they will receive from Londoners. You may be asked to give an interview to the press on how bad things are. Take this opportunity to tell your story but emphasise the actions you are taking to overcome your problems.

REVIEW MARKETING CAMPAIGNS

Your review of costs will have included a look at what you planned to spend on advertising and promotion. You also need to think quickly about the next few weeks and check whether any booked advertising is appropriate. You may decide to cancel some advertising either because it will not generate business OR because the message is wrong in the circumstances.

Hong Kong Tourism experienced an example of this. They had booked colour advertising that featured the slogan ‘A breath of fresh air’ which was due to run at the height of the SARS outbreak when residents were wearing face masks.

The cost of cancelling advertising is better than the bad publicity generated by insensitive messages.

CHECK BUSINESS TRIPS AND EXHIBITIONS

During a crisis it is very important to be visible to your customers and to encourage a ‘Business as Usual’ atmosphere. Consider your costs but do not be too hasty in cancelling business events. If you are planning an overseas sales trip it is worth checking the mood in the overseas market. The best source of advice is VisitBritain – www.visitbritain.org.

BUILD YOUR RELATIONSHIPS

If you receive business from Agents, Tour Operators or Incoming Handling Agents, get in touch with them. They will be able to give you good market intelligence and you can talk to them about what you can do together to encourage customers.

REVIEW YOUR OFFER

In a few days you will have some idea of how badly your business is affected. While your cost review will have generated some savings, you will need to act now to try to replace lost customers. In the short term you will need to offer customers some incentive and this can be a special offer, some added value, a discounted price, a loyalty bonus, a new feature.

Your marketing efforts will be much more cost effective if they can be done in partnership with others. Check with your neighbours, your competitors, Visit London and others on any joint campaigns that are planned and see if it makes sense to participate.

REVIEW YOUR ONLINE PRESENCE

If you have a website make sure it is working for you. Look at it every day – or delegate someone else to do this.

If you don't have a website, make sure you are benefiting from the tourist boards' websites. Check that you have given up to date information to Visit London and VisitBritain and keep them informed of any new offers.

BE FLEXIBLE

The situation will change quickly and you will need to keep yourself informed and be willing to respond. All the agencies will be working on your behalf but you know your business and your customers better than anyone else.

Looking After Your Business

When customers stay away less cash comes into the business. This puts your business, and the jobs it provides, at risk. After the IRA bomb in Manchester in 1997, 40% of the businesses affected by the bomb went out of business, never to return. The tourism industry has shown itself to be remarkably resilient but prompt action is essential.

The following steps may help you to be clear about your financial position and you can then discuss this with your accountant or bank manager.

ASSESS THE SIZE OF THE PROBLEM

The first step is to come to a view about the nature and scale of this crisis. In these first few days all you will be able to do is arrive at your 'Best Guess'. No one will be able to give you certainty so you will need to assemble as much information as you can very quickly. The checklist below suggests some questions to ask.

CHECKLIST

What is the government saying about this event?

What is Visit London saying about this event and its likely impact?

How long will the current situation last?

Are there any similar examples from the past that I can look at?

What are my customers saying?

How many cancellations/enquiries about cancelling have I had?

How strong are my forward bookings?

How much media coverage is there?

What is being reported around the world?

Useful websites to help answer these questions

What can you find?	Where Can you find it	Free or Charged /Registration
Visit London Industry support	To register for information http://www.visitlondon.com/corporate/register	Membership Organisation but some information is available free – Registration is optional
	For membership	
Visit Britain UK tourism industry web site	http://www.visitbritain.org/ukindustry/	Free – No need to register
Research & Statistics on Tourism in London and the UK	http://www.staruk.org.uk/	Free – No need to register
World News on-line	http://www.bbc.co.uk	Free
Travel industry news by e mail update	http://www.travelmole.com	Free service on registering

Working Assumptions

Having checked these sources you need to record your conclusions as a 'Best Guess' or 'Working Assumption'. This should answer 2 key questions;

How long do I think the downturn will last?
How much business will I lose?

Best, Middle and Worst Case

You may find it helpful to describe your thinking as a range of possibilities. So you may arrive at a set of Working Assumptions like this:

	How long will it last?	How much business will be lost?
Best	4 weeks	10% annual turnover
Middle	3 months	15% annual turnover
Worst	6 months	20% annual turnover

These are for illustration only. Looking back at your own figures over the last few years will be most useful. As a benchmark it may be useful to know that international tourism to the UK was down by 9.5% in number of visitors in 2001 compared to 2000 and revenue was down by 12% (dropping from £1 2.8bn to £11 .3bn).

LOOK AT THE EFFECT ON YOUR CASHFLOW.

In an ideal world you will have a record of your cash flow for the last 12 months to use as a reference point. This is VERY useful in a seasonal business.

The effect on your cash position will depend on both assumptions. For example, a dramatic drop in business and a quick recovery will mean that you may need a bigger overdraft but for a shorter time. You will need to work through your different assumptions and sets of figures to arrive at a range of possible outcomes.

You can use the Table below or your own accounts package to compile some cash flow forecasts using the Best, Middle and Worst assumptions.

Month

	1	2	3	4	5	6	7	8	9	10	11	12
Including VAT												
Revenue												
Operating Costs												
Wages												
Operations (all other costs)												
Total Operating costs												
Fixed Costs												
Rent												
Rates												
Insurance												
Total Fixed costs												
Financial costs												
Interest												
Hire Purchase / leasing												
Loan repayments												
VAT payments												
Total Financial costs												
Personal costs												
Drawings												
Taxation												
Total Personal Costs												
Total Expenditure												
Cash Flow Summary												
Opening Balance *												
Plus Revenue												
Less Expenditure												
Closing Balance **												

* opening bank balance ** this becomes following months opening bank balance

Working through this process will give you a feel for the way the crisis will affect the finances of your business. Now that you know the size of the problem you can start to do something about it.

STOP CASH DRAINING AWAY

Keeping cash in the business is a bit like filling a bucket with water with a hole in it. Sales brings water in at the top and costs means water leaking out of the bottom.

If the bucket isn't going to be filled up with cash from customers for a while then you need to act quickly to limit the amount of cash draining out. What can you do?

- Review your costs
- Slow down your payments
- Delay (or cancel) spending that was planned

Review Your Costs – Fixed Costs and Variable Costs

Split your Main Cost Headings into Fixed (those I MUST pay) and Variable (those that depend on how many customers I have) e.g.

FIXED	VARIABLE
Mortgage payments	Permanent Staff
Loan repayments	Casual Staff
Insurance	Supplies
Business Rates	Heat, Light, Power
	Repairs and Maintenance
	Marketing etc

Look at Your Variable Costs

Start with the costs listed as VARIABLE. Work your way through these headings and ask yourself some questions:

- Can I reduce this cost?
- Can I slow down my spending?
- Can I renegotiate terms with my suppliers?

You will need to review all standing orders or direct debits and cancel all the non-essentials. Discuss different payment terms with your suppliers. A switch

to 60 or 90 days payment from 30 days could help your cash position significantly. The faster you deal with this the longer your business will survive.

In tourism and hospitality your biggest variable cost (and your biggest asset) is likely to be staff. There are many issues to consider on staffing and this is covered in the section on **Looking After your Staff**.

Look at Your FIXED Costs.

Costs are described as Fixed because they do not depend on how many customers you have and they are usually agreed regular payments, such as mortgage payments. For most fixed costs you will have entered into a contract to pay and non-payment may mean that you lose your business. However, special arrangements are often made in a crisis. In the past, as an example, Business rates have been reduced in a crisis to help tourism businesses.

Look at 'ONE OFF' Items.

Are there any plans for significant expenditure that you can postpone? This might be redecorating, upgrading equipment, replacing your car or van. Any savings you can identify here will reduce the need for loans.

Protect the Heart of Your Business

Remember that your business is built on your staff and customers. While you are looking at cutting costs, you will need to strike a balance and ensure that you can still operate and can afford to promote your business to customers.

BUILD UP YOUR FIGHTING FUND

Your Contribution

If the business needs an injection of cash, some of this may come from your personal funds. Remember to keep back enough to cover your usual expenses for at least three months. You may need to give notice to your bank or building society to avoid interest penalties and you should do this without delay.

Overdrafts and Loans

If there is still a gap – or even if you think there might be a gap, talk to your accountant. You will need to decide whether to renegotiate an overdraft or should consider a loan. Do not delay. Your bank is much more likely to help if you approach them before a problem has got out of control.

Summary

All of these actions should be taken as soon as it is clear that your business is going to suffer. If you can do this exercise in the first few days, you will be in control of your business and be clear about the decisions you need to make. Remember you are not in this on your own. Many organisations are available to offer help and advice.

Sources of financial help & advice

Business Link For London <http://www.businesslink4london.com/>

The Department for Trade & Industry [DTI] <http://www.dti.gov.uk/>

HM Revenue & Customs <http://www.hmrc.gov.uk>

Visit London <http://www.visitlondon.com/corporate/>

LOOKING AFTER YOUR STAFF

Staff are your biggest asset but also your biggest cost. Involve them as much as possible so that they are in integral part of the process and if you have to make difficult decisions (shorter working hours and/or redundancies, for example) they will be more understanding. But, these difficult decisions will have to be taken by you alone.

What Can I Do to Help?

In times of crisis it is up to you to use the full potential of your resources - mainly your people:

Here is some food for thought and our Top 10 tips.

1. Make a rigorous appraisal of the situation before making any decisions
2. Stay calm - staff will be anxious
3. Keep yourself informed
4. Listen carefully to staff
5. Keep staff informed
6. Keep everyone motivated
7. Be clear and concise
8. Be tough when necessary, but charming at the same time
9. Stay relaxed and confident
10. Let them get on with it!

Make Sure

You really know your staff (who have the skills to help you in a crisis, where they live, for example);

- ◆ You have contact telephone numbers for them all (including mobile telephone numbers);
- ◆ Your staff are properly trained (in all health and safety and evacuation procedures, for example) and can react quickly and easily to a crisis; and
- ◆ You listen carefully to your staff and keep your staff informed all the time

REVIEWING YOUR STAFF COSTS

The biggest element of cost in your business is likely to be your staff. If there is a significant drop in visitors you will need to take action to control these costs. Failure to do so may put the whole business – and all jobs – at risk. Consider all your options before letting people go. Good quality people are hard to find and redundancies should be a last resort.

The Legal Framework

Note that this section is a guide to the law and should not be relied upon. You should take full advice from your legal representative on your own circumstances.

Can I Keep All My Staff?

This assessment must be made against a legal background, which could affect employee's contractual rights. It is often difficult to categorically assess these rights and employment law has become very complicated. For example, it is unlawful to discriminate against part-time workers, those who are pregnant or on maternity leave and other workers on the grounds of sex, ethnic origin or disability. So, against a background of good legal advice, it is important to:

- ◆ Consider anything that gives you greater flexibility - job rotation, job sharing, linking with other businesses, etc. It may be possible to agree short time working and/or lay off staff that are prepared to do so but there are rules governing this (see Note 1);
- ◆ Discuss any changes with the affected employees *before* introducing any changes;
- ◆ Ensure the variations do not have a discriminatory impact; and
- ◆ Record any contract variations in writing and ensure it is signed by the employer and the employee

If I need to make staff redundant, or put them on short time working, how do I go about it?

Redundancy law has become increasingly complex in recent years. It is a very sensitive area and must be treated with the utmost care. In a crisis situation, where the employer can demonstrate the need to reduce staffing, it may be possible to dismiss some employees by reason of redundancy. The contract of employment is the driver for this and should be consulted at the

outset. However, employees also have statutory rights, which must not be ignored.

Here are a few more “make sures” will help you through the process...

Make Sure

- ◆ There is a genuine case for any redundancies - can you prove the redundancy is unavoidable?
- ◆ You are clear about the number of staff involved and their job descriptions. If more than 20 staff are involved, you will need to notify the Department of Trade and Industry. There is also a minimum consultation period (see Note2);
- ◆ You follow the procedures outlined in your employment contract;
- ◆ You are aware of the statutory minimum periods of notice and redundancy pay (see Note 3);
- ◆ Employee representatives and/or trade union officials are consulted at the outset and kept informed throughout;
- ◆ You treat part time workers the same as full time workers. They now have similar rights under employment law and it is unlawful to discriminate against part-time employees;
- ◆ You consult your employees on how jobs could be saved. If they cannot be saved then you need to ensure that the selection of individuals to be made redundant is fair and appropriate. ‘Last in-first out’ is a very common method of selection but you will also need to make an assessment of your employees to ensure the best remain;
- ◆ You consider asking for volunteers. This is not essential but, if you do, you should also make it clear that management will make the final decision based on the need to retain certain skills and experience within the business. When dealing with the redundancy selection process, particular care should be taken with employees who are on sick leave, maternity leave or may be protected under Disability Discrimination Acts;
- ◆ You know what you are going to give employees that are leaving, for example:-
 1. Will you expect them to work their notice or give pay in lieu of the notice? If you pay in lieu of notice, make sure you have the legal right to do this within the terms of the contract. (This needs careful thought and consideration as, once staff know they are leaving, they are far less likely

to be motivated to support your business and could even be disruptive);

2. Staff may prefer to resign rather than be dismissed, as it will look better on their CV. Are you prepared to allow this?
 3. Will you be prepared to give a written reference? If so, think about what you are prepared to say before you are asked;
 4. Will you give time off for job hunting? If so, how much?
 5. Will you be prepared to pay for any legal expenses, training or outplacement costs?
- ◆ If employees are due to receive a pension payment under an occupational scheme, payments are made within 90 days of the dismissal.

Note 1 - Short Time Working and Lay Offs

Check your employment contract as you may have the right to impose this to reduce the wage bill. However, caution is necessary unless you are certain of your grounds - far better to try to agree new arrangements with employees to be affected.

In any event, staff being laid off are entitled to guaranteed payments and after 6 or more weeks within any 13-week period (with no more than 4 being consecutive) may claim a redundancy payment.

Whatever is agreed, it must be confirmed in writing and signed by the employer and employee, as it is an amendment to the contract of employment.

Note 2 – Minimum Consultation Periods

For a redundancy programme, the minimum consultation period required is:

20-99 employees	-	at least 30 days
100+ employees	-	at least 90 days

Note 3 - Redundancy Pay and Statutory Periods of Notice

Redundancy

An employee will receive a redundancy payment if they are working under a contract of employment. A contract may be spoken or written and can last for any length of time, or be fixed.

In general, to be due a payment, they must have been dismissed on the grounds of redundancy rather than resigned.

If the employee is on a fixed contract and it ends without being renewed, this counts as a dismissal and they may be due a redundancy payment.

If you seek volunteers for redundancy, they will also qualify for a redundancy payment. To qualify for redundancy pay, the employee must:

- ◆ Have been made redundant; and
- ◆ Have at least two years continuous service since the age of 18. (Service before the age of 18 does not count for these purposes.)

Redundancy Payments

The amount of the lump sum depends on:

- ◆ the employee's length of continuous service;
- ◆ how the years of service relate to a particular age band; and
- ◆ the weekly pay (up to a legal limit)

The amount of the lump sum is calculated as follows:

- ◆ For each complete year of continuous service between the ages of 18 and 21,

the employee will receive half a week's pay.

- ◆ For each complete year of continuous service between the ages of 22 and 40, the employee will receive one week's pay.
- ◆ For each complete year of continuous service between the ages of 41 and 65, the employee will receive one and a half week's pay. However, if they are over 64, the total amount will be reduced.

Employees over 65 are not entitled to a redundancy payment.

The maximum number of years' continuous service that can be counted for statutory redundancy payments is 20.

There is a limit on the amount of weekly pay taken into account in working out a redundancy entitlement. This statutory weekly limit is currently £270 and increases annually in line with retail price index.

The DTI's web site www.dti.gov.uk has a ready reckoner to help with these calculations.

There are no deductions (tax or NI) on redundancy up to £30,000.

Statutory Periods of Notice

These will only apply if they are less than stipulated in the contract of employment.

The minimum notice period required by law is one week for each year of service up to a maximum of 12 weeks.

Where the employee has completed over one calendar month, but less than a year, they are entitled to one week's notice.

With the agreement of the employer, an employee may leave early and still qualify for a redundancy payment, although the minimum period of notice must have started.

What if Staff Can't Get to Work?

You already know where your staff live and should have contact telephone numbers for them. But, this is where your contingency planning pays off.

You must decide from your assessment of the situation whether transport is disrupted and it would be counter-productive for some staff to struggle into work. In these circumstances, you will probably still be paying them, so would expect them to make reasonable efforts to get to work but, if not, to stay by their telephones for updates.

Can you call on extra resources from other local businesses? There may be insurance and cost implications but talk to them now - not when it is too late.

Develop a special relationship with an employment agency. There are literally hundreds and you have probably already recruited staff through one. Use the one that provided good staff. If you need to call in extra staff, there will be a cost, but it may be critical to your business.

Can the job rotation policy be put into effect?

KEEPING STAFF INFORMED is a golden rule. You may be too busy, so have you dedicated someone to be responsible for this?

How Can I Reward Loyal Staff?

Incentive schemes are usually personal to individual companies and include salary increases, bonus payments, or other 'value' incentives such as discounted holidays, a food hamper, a case of wine, gift vouchers, bouquet of flowers, etc.

Special efforts should be rewarded. Even if you do not make a financial reward, it is important to recognise and appreciate special efforts and encourage everyone to celebrate success. Go public, as it will encourage others to contribute more.

Sources of further information

ACAS

Acas provides a range of services on employment matters with specialist advisers to give confidential advice on 08457 474747, or you can log on to www.acas.org.uk/work

Government sites

There are many official web sites giving helpful information but the one of the best is the DTI's www.dti.gov.uk

Chartered Institute of Personnel and Development

The HR Institute provides more helpful information and can be found at www.cipd.co.uk

Commercial sites

There are many but www.oneclickhr.com is easy to use and they also provide regular briefings.

FURTHER RESOURCES

This guide is designed as a practical tool to help you react quickly to this crisis. It cannot cover every subject in detail but there is a wealth of information available from many sources. The list below is a guide to those that you may find helpful.

Industry Related Information

Visit London

<http://www.visitlondon.com/corporate/>

Visit Britain – Industry Site

<http://www.visitbritain.org/ukindustry/>

DCMS Tourism

<http://www.culture.gov.uk/tourism/default.htm>

E-hotelier

<http://ehotelier.com/?PHPSESSID=a435cdf1e947b21cc98527203278dfc1>

Help & Support

Business Link [National]:

<http://www.businesslink.gov.uk/bdotg/action/home>

Business Link For London <http://www.businesslink4london.com/>

Department For Trade and Industry:

<http://www.dti.gov.uk/>

HM Revenue & Customs

<http://www.hmrc.gov.uk>

Market & Business Related

Mayor's Office <http://www.london.gov.uk/>

London Prepared

<http://www.londonprepared.gov.uk/>

London Development Agency

<http://www.lda.gov.uk/workofthelda/industry/tourism/>

Home Office Terrorism advice

<http://www.homeoffice.gov.uk/terrorism/reports/index.html#guidance>

London First

<http://www.london-first.co.uk/>

Metropolitan Police

<http://www.met.police.uk/>

GLA Economics

http://www.london.gov.uk/mayor/economic_unit/index.jsp

StarUK

<http://www.staruk.org//default.asp>

FCO – Travel Advice

<http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029390572>

Trading Standards

<http://www.tradingstandards.gov.uk/>

Human Resources

Acas

www.acas.org.uk

Chartered Institute of Personnel and Development

www.cipd.co.uk

Further source of HR information

www.oneclickhr.com

Media

BBC News

<http://www.bbc.co.uk/>