

Redundancy business case checklist

A practical, defensible starting point to help you assess and document redundancy decisions.



Redundancy business case checklist



Redundancy means that an organisation no longer requires a specific role to be performed. This may be due to reasons such as downsizing, an organisational restructure, productivity/process improvements, or technological change.

Termination due to redundancy is exempt from unfair dismissal if the dismissal is a case of 'genuine redundancy'. This means the organisation can demonstrate a sound business case for the redundancy of a role, it has complied with consultation obligations as set out in an agreement or an award, and that there was no other suitable alternative employment within the business or associated entities (as defined by the Corporations Act 2001). A 'genuine redundancy' does not prevent an employee lodging a claim for [general protections under federal legislation](#), so it is also important that an employer can show that a decision to make positions redundant was influenced only by legitimate business reasons, and not by any prohibited reasons such as exercising a workplace right or engaging in industrial activity.

The checklist below is designed to assist organisations in cases of redundancy and, specifically, to help ensure they have a sustainable business case. Employers can use the 'Notes' column to record their responses to the questions. On completion, the analysis will either create a sound business case for proceeding with a redundancy (or redundancies), or will indicate that, in some or all cases, redundancy may be avoided due to actions such as redeployment, re-training for new roles, or flexible working arrangements.

However, a checklist alone does not reduce risk.

Australian Industry Group members have access to the full redundancy toolkit, including practical templates, selection matrices, consultation letters and redeployment checklists, as well as unlimited access to the Workplace Advice Line. This ensures decisions can be tested, refined and confirmed before they are communicated, not after a claim is lodged.

Members can access:

- **The full Redundancy Toolkit and supporting templates including:**
 - [Redundancy Toolkit](#)
 - [Redundancy Selection Criteria Matrix](#)
 - [Redundancy Selection Criteria Matrix Total Scores Compilation](#)
 - [Redundancy Consultation in Writing Letter](#)
 - [Redundancy Acceptable Alternative Employment Checklist](#)
 - [Redundancy planning](#)
 - [Redundancy selection process](#)
- **Redundancy selection and redeployment tools**
- **Practical guidance on consultation and documentation**
- **Direct access to workplace advisers through the Workplace Advice Line on 1300 55 66 77**

When redundancy decisions are time sensitive and high risk, access to the right tools and advice at the right moment can make the difference between a defensible outcome and a costly dispute.

Contact us

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Question	Considerations	Notes
Question 1 What is the business driver indicating that redundancy may be required?	For example: • significant and/or reasonably anticipated prolonged downturn in sales • introduction of machinery or technology meaning less roles are required • less or the same number of employees are required but • the skills/experience to do the job have significantly changed (for example, • a skilled job can now be done by an unskilled person and vice versa) • relocation of the business • restructure of departments and roles. Members can seek guidance from Australian Industry Group advisers on whether their proposed business driver aligns with the requirements of a genuine redundancy under the Fair Work Act.	
Question 2 Does the organisation have evidence to support the answer to Question 1 above?	If a redundancy is subject to legal challenge, the organisation will need evidence to support that the redundancy is directly linked to a sound business case. For example, sales results, sales projections, organisational charts, skills matrices, position descriptions (for any new/revised roles). Members can confirm whether their evidence is sufficient by speaking with the Australian Industry Group Workplace Advice Line.	

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Question 3 Has the organisation analysed and exhausted possible actions to prevent redundancies?	• Can the necessary savings/efficiencies be made by letting casuals/ labour hire/contractors go? • Are fixed-term roles nearing the end of their contracts? Could these roles be taken on by permanent employees? • Has suitable alternative employment been investigated within the organisation and/or within related organisations (required by the <i>Fair Work Act 2009</i>)? • Is it feasible that jobs could be saved if some staff agreed to reduce their working hours or use accrued leave? • Are there productivity or process efficiencies that could be instituted that would find the necessary cost savings to sustain jobs? • Is there the potential to trim excessive costs from the business (such as excessive corporate travel, conference attendance, lease arrangements, uncompetitive supplier arrangements)? • Would a shutdown assist the business through a difficult period? • Would reducing overtime or reviewing shift arrangements change the need for redundancies? Members have access to redeployment and alternative employment checklists in the HR Resource Centre.	

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Question 4 Has the organisation costed any applicable redundancy payments, leave payouts and other contractual entitlements or policy benefits?	The organisation needs to establish which employees have entitlements to redundancy pay and the source of the entitlement. This may be derived from the NES, an enterprise agreement, a modern award, an organisational policy or a clause in an employee's contract of employment. The organisation should also cost related severance payments, such as pay out of leave entitlements and pay in lieu of notice, if applicable. Note: if an organisation cannot pay redundancy in accordance with the above due to bankruptcy or liquidation, employees should be advised to contact the Fair Entitlements Guarantee Hotline on 1300 135 040 to seek redundancy and other employee termination payments via a federally funded scheme (<i>Fair Entitlements Guarantee Act 2012</i>). Members can access Australian Industry Group adviser support to check redundancy pay obligations under the NES, awards or agreements and avoid errors before communicating outcomes.	



Before you proceed

If any of the following apply, membership support is strongly recommended:

- You are unsure whether consultation obligations apply
- More than one employee performs the same role
- Redeployment may be possible
- You anticipate employee objections or claims

Members can access immediate guidance through the Workplace Advice Line.

Question	Considerations	Notes
Question 5 Is the organisation committed to any other redundancy related costs?	For example: • The organisation may have committed (via an enterprise agreement, contract or policy) to pay for outplacement services and/or financial planning assistance. • Via contract arrangements, the organisation may have employees who have rights to retain a company vehicle or other equipment for a limited period post-employment. Organisations paying employees a salary package inclusive of superannuation may, depending on the wording of the binding documents, have to calculate portions of a severance payment based on the packaged salary and portions on base salary. Consultation failures are a common reason redundancies are challenged. Members can access consultation guidance and templates in the HR Resource Centre.	

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Question 6 Having made a definite decision to implement redundancies, have you consulted with employees and any relevant union(s)?	An enterprise agreement or award covering the affected employees will have clauses specifying a consultation process. This process must be followed. All modern awards have the same obligations for consultation with three main elements: • the consultation must occur as soon as practicable after the decision has been made • the changes are discussed with the employees — this is not a negotiation about the change, it is a discussion about the impact of the change on the employee • the employer must provide the employee with written information on what has been discussed. Consultation must be a separate, stand-alone process in its own right. The employee must be provided with an opportunity to raise matters and the employer must respond promptly. For example, an employee may: • have further education or skills the employer is not aware of; • be prepared to take a lower role or change to part-time to avert redundancy; or • have insights as to cost or productivity efficiencies that could cause a review of the business case. Failing to comply with consultation obligations in the award or agreement will mean that the dismissal cannot be considered a genuine redundancy and the employee may have access to an unfair dismissal claim. Note: if the employee is not covered by an award or agreement, there is no obligation to comply with the above provisions. However, the organisation should consider contractual and/or policy requirements. Consultation errors are a common reason redundancies fail. Members can access consultation templates and adviser guidance in the HR Resource Centre.	

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Question 7 How will the organisation select employees for redundancy?	For example, there may be more than one person in a role and you need to reduce the number of employees (e.g. two accounts payable employees and one accounts receivable employee and you need to reduce this to two combined accounts receivable/payable roles). In this case, you will need a selection process that focuses on the skills required for the new positions, with an assessment of which employees would be most appropriate, based on their skills and experience, for the new role(s). Discriminatory factors such as, but not limited to, pregnancy, being on parental leave, age, illness/disability or any union activities that do not affect the employee's ability to undertake the inherent requirements of a role cannot be a factor in the decision making. Such factors must not operate to either select an employee for redundancy or to exclude them from redundancy. Members can access selection criteria tools and guidance to support fair, non discriminatory decision making in the HR Resource Centre.	
Question 8 Do you have sufficient records or evidence to support decisions made in relation to the selection process?	For example: • assessments against skills matrices (see Redundancy selection criteria matrix.) • position descriptions • training records • performance appraisals • records of previous disciplinary counselling. Members can access templates and examples of records commonly relied upon if decisions are challenged in the HR Resource Centre.	

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Question 9 Are there any vacant positions or restructured positions that could be offered to affected employees?	These positions can be discussed as part of the consultation process with affected employees. Does the organisation have position descriptions/organisational structure for new, revised, or restructured positions? Redeployment should be offered for any role that the employee has the skills to perform, even if it is a lower paid role or at a different location. Members can speak directly with an Australian Industry Group workplace adviser to understand their redeployment obligations and assess whether suitable alternative employment exists before proceeding.	
Question 10 Has the organisation prepared formal letters of advice of redundancy and/or quotes in relation to severance payments?	Written notice of termination of employment is a legal minimum. It is important that the letter to the employee contains: • the effective date of termination; • advice as to whether they are required to serve notice or if it is being paid out; • details of their redundancy and other termination payments (and their taxation); and • provide details and contacts for any other assistance the organisation is offering (e.g. outplacement, financial counselling). See Notice of Termination (Redundancy) Letter. Members can access compliant redundancy letter templates and guidance on communicating outcomes clearly in the HR Resource Centre.	

What to do next



This checklist is one part of managing redundancy risk.

Australian Industry Group members receive:

- Unlimited access to the Workplace Advice Line for redundancy and termination matters
- Full access to redundancy templates, letters and selection tools
- Ongoing updates reflecting legislative and case law changes

Join now to access the full redundancy toolkit and adviser support.

Contact us

membership@australianindustrygroup.com.au

Workplace Advice Line: 1300 55 66 77

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This checklist is a guide only and may not reflect the specific requirements of your workplace. Redundancy decisions are complex and errors in process or documentation can create significant risk. Australian Industry Group supports employers with practical tools, resources and expert guidance to help manage redundancy obligations with confidence. Contact us to find out more.

