



SHRMTM

SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

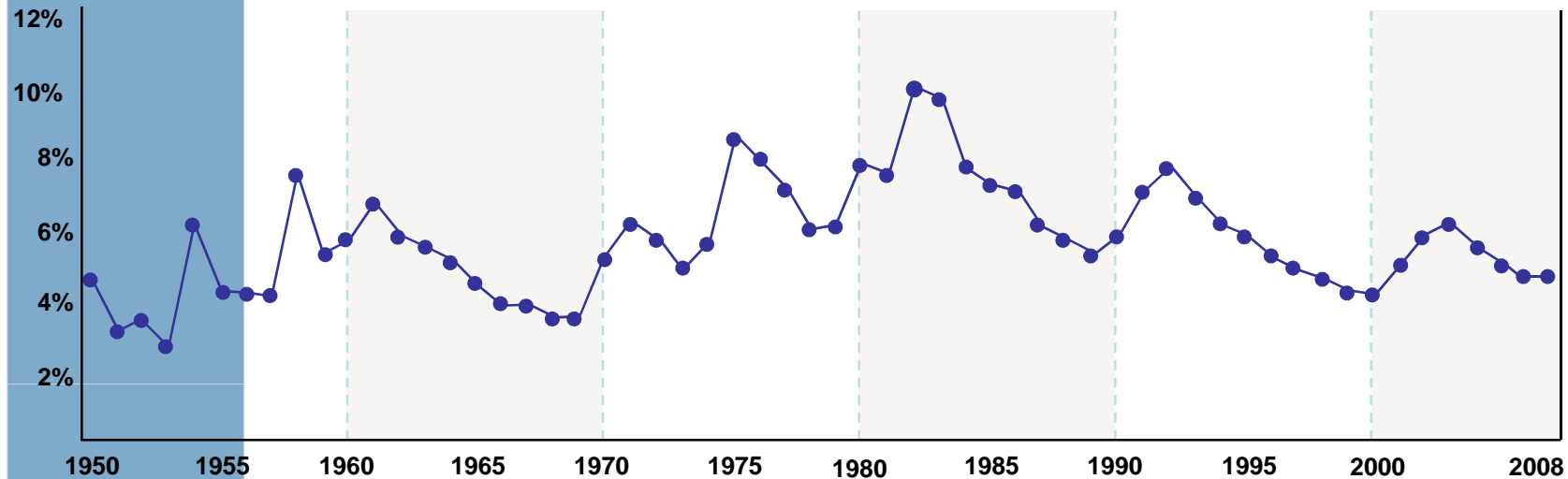
Reduction In Force/Downsizing: Tools for Tough Times

Dianna Gould, SPHR Field Services Director, Pacific West • April 2009

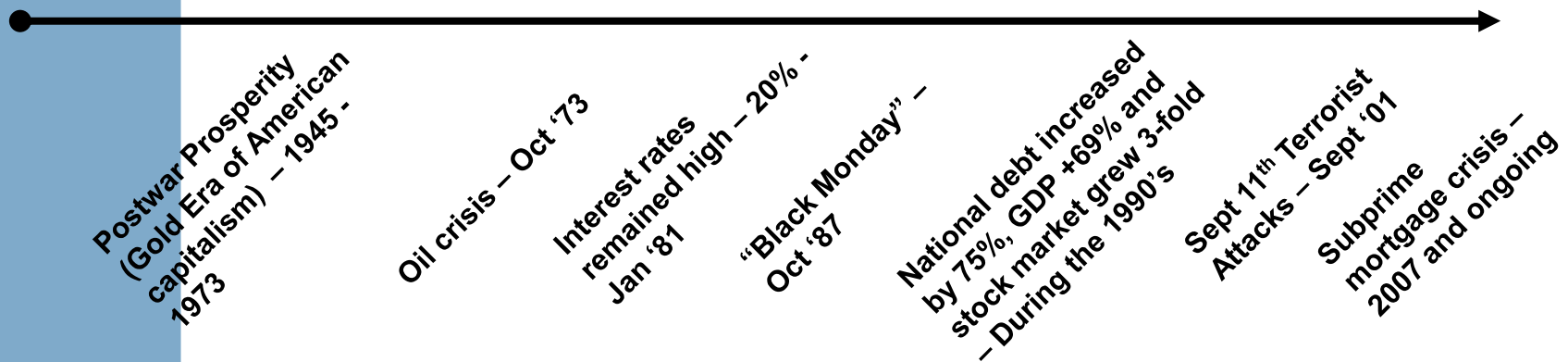
- Economic/labor market landscape
- Sustaining the business
- Planning for a restructuring
- Effective career transition services
- Conclusion & key takeaways
- Q&A

Trend line on U.S. unemployment rates 1950-2007

Source: Bureau of Labor Statistics

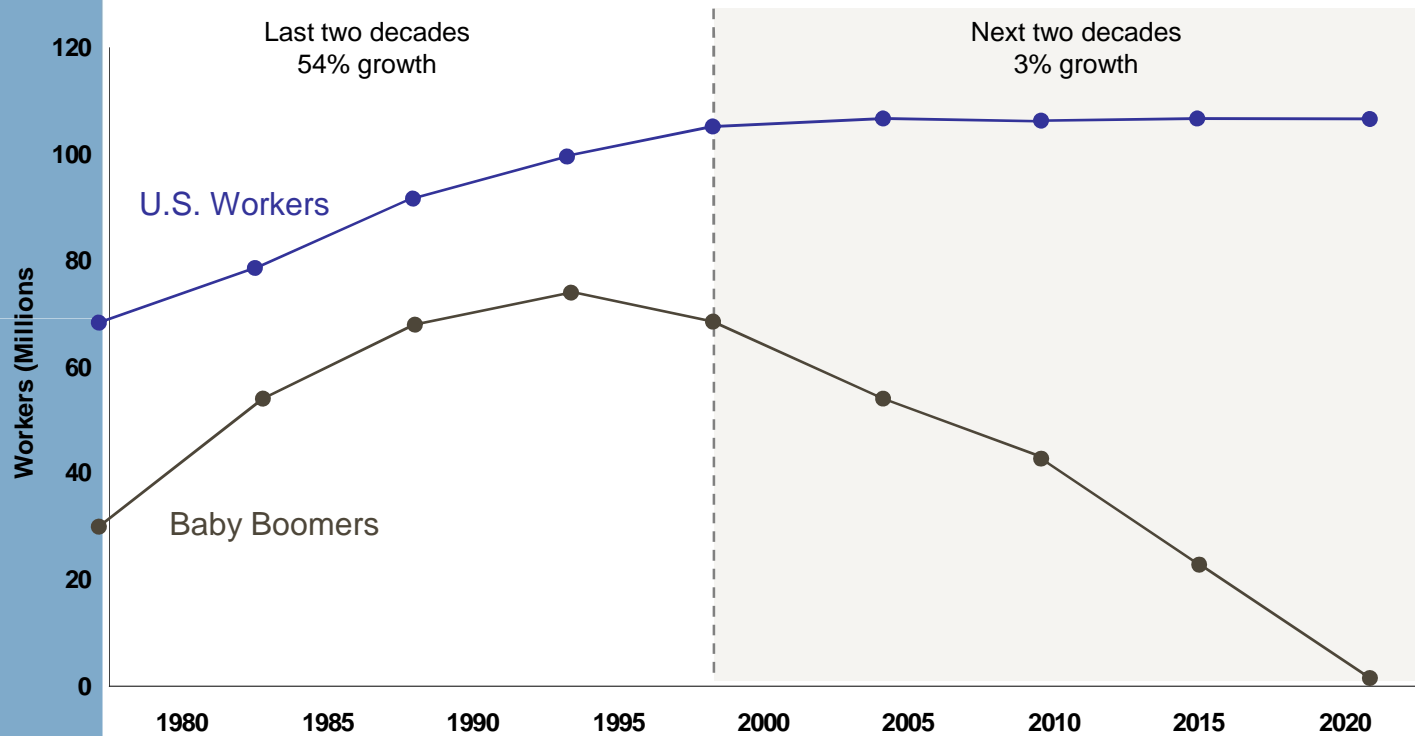


Selected Major U.S. Key Economic Historical Events



U.S. Workers Vs. Baby Boomers

Source: US Census Bureau



Today's reality...

- U.S. unemployment rate at 7.76%
- The mortgage crisis
- \$787 billion economic-stimulus package and what that means for us
- Significant layoffs in all major sectors
- Financial services sector landscape changing and consolidating
- Low consumer confidence which is deadly for retailers
- Unstable oil and gas prices
- All major U.S. financial indices are down for the year
 - > Dow Jones Industrial: 5.6% YTD (February 6, 2009)
 - > NASDAQ : +0.9% YTD (February 6, 2009)
 - > S&P 500: -6.7% YTD (February 6, 2009)
- Employers slowing hiring or are planning for potential restructuring

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Key questions to ask before restructuring:

- Where does the business need to be in short-term and long-term?
- What are the primary and secondary competencies that are core to the organization's mission and vision?
- What skills and talents are likely to be needed or diminished given industry and organizational trends?
- What impact will we experience with departure of baby boomers?
- What are some global/domestic environmental changes that will affect the business (e.g. regulatory, economic, etc.)?
- How do I tie career and talent development with business and financial objectives?
- Is the leadership team ready for the best and worst case scenarios?

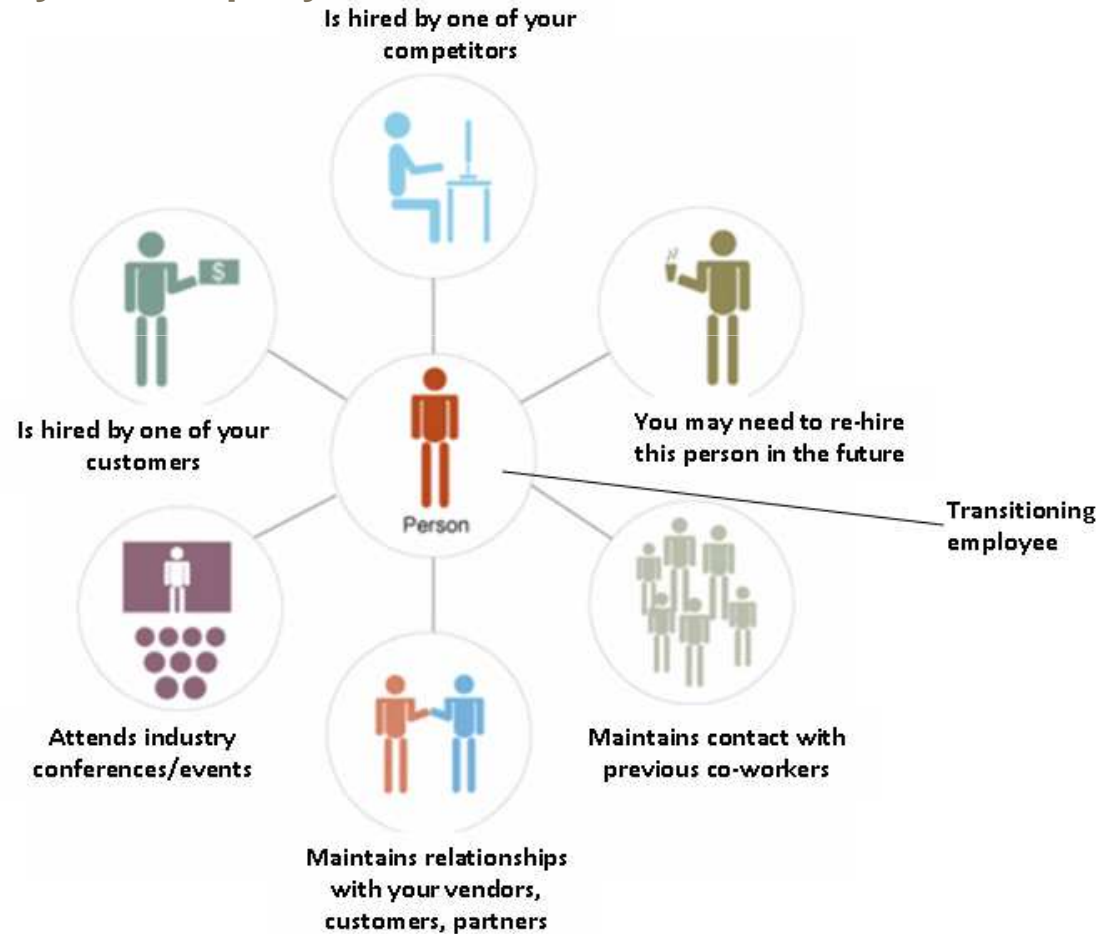
Even a modest downsizing can unleash an exodus of valuable employees. Companies that laid off 0.5 percent of their staff experienced, on average, a turnover rate of 13 percent — compared with an average turnover rate of 10.4 percent at companies that didn't do layoffs.

— BUSINESSWEEK, APRIL 2008

Workforce Resilience:

- Remaining committed to personal excellence, self-management, organizational success and continuous learning
- Adapting and reinventing oneself to meet business challenges and opportunities
- Keeping skill sets current and aligned with business needs and market driven trends
- Creating a diverse and broad network of support
- Increasing agility...moving quickly and lightly; adjusting behaviors, thoughts and actions in order to optimize positive outcomes under changing conditions

Protect your company's brand



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Alternatives to RIF include:

- **Improving internal processes**
- **Hiring freeze**
- **Reducing or freezing compensation**
- **Curtailing overtime**
- **Shorter work weeks or reduced work hours**
- **Job sharing**
- **Increasing employees' share of benefit costs**
- **Cutting perks**
- **Early retirement programs**
- **Reducing advertising costs**

- The Financial Goal
 - For example, reducing human capital costs by a percentage or dollar amount.
- The Scope of the RIF
 - Are all employees at all locations and levels considered in this RIF?
 - Is the RIF localized to one or more plants, divisions, job categories?
- Do NOT use a RIF as a means to get rid of staff for reasons other than the established selection criteria.

It can be illegal retaliation to consider prior:

- > Harassment/discrimination complaints made by employees
- > FMLA leave requests
- > WC claims
- > OSHA complaints
- > Wage and hour complaints
- > Union grievances

Legal Counsel is a must...

- Selection process that is defensible
- Adverse impact analysis
- Ensuring “releases” will hold up
- Regulatory and compliance requirements such as:
 - **WARN (Worker Adjustment and Retraining Notification Act of 1988)**
 - **The Older Worker Benefit Protection Act (OWBPA)**
 - **The Americans with Disabilities Act of 1990**
 - **The Age Discrimination in Employment Act of 1967**
 - **Title VII of the Civil Rights Act of 1964**
 - **The Equal Pay Act of 1963**

The Worker Adjustment and Retraining Notification Act (WARN)

- **WARN protects workers, their families and communities by requiring most employers with 100 or more employees to provide notification 60 calendar days in advance of plant closings and mass layoffs.**
- **A covered plant closing occurs when a facility/operating unit is shut down for more than six months OR when 50 or more employees lose their jobs during any 30-day period at a single site of employment.**
- **A covered mass layoff occurs when a layoff of six months or longer affects either 500 or more workers OR at least 33% of the employer's workforce when the layoff affects between 50 and 499 workers.**

(Source: Department of Labor)

The Older Worker Benefit Protection Act (OWBPA)

- **Amends the Age Discrimination in Employment Act (ADEA) changing the rules for age discrimination releases by setting strict criteria for released both of protected rights (a release before a claim is filed) and disputed claims (releases in settlement of EEOC charges or lawsuits).**
- **Requires employers to provide affected employees over 40 with demographic details of individuals considered and affected by a group RIF.**

Non-Discrimination Laws

- **Title VII of Civil Rights Act of 1964** prohibits discrimination on the basis of race, color, religion, sex and national origin.
- **Americans with Disabilities Act (ADA)** prohibits discrimination on the basis of disability.
- **Age Discrimination in Employment Act (ADEA)** prohibits discrimination on the basis of age.
- **National Labor Relations Act (NLRA)** prohibits discrimination on the basis of union activities.
- **State laws:** many states have additional anti-discrimination laws (e.g., sexual orientation).

Best practices for downsizing

- Establish a core, cross-functional restructuring team
- Create a detailed project plan and timetable
- Develop on-going communication strategy to all stakeholders and manage rumors
- Determine process for selecting those that will be asked to leave
- Redeployment as an option to retain needed skills
- Assess viability of voluntary separations
- Evaluate and modify separation benefits to meet current objectives
- Strategy to maintain productivity of remaining talent
- Train executives and managers responsible for implementing downsizing
- Engage your employee assistance provider (EAP), a career transition and other resource partners early on

- Determine which employees within job categories will be affected by the RIF and who will be retained or offered other positions within the organization. Consider how subjective the criteria is and how to document meeting the criteria.
- Some common selection criteria:
 - Location
 - Job categories
 - Type of employment (contingent or part-time)
 - Seniority
 - Skill set
 - Merit (documented performance history)
 - Prior disciplinary actions
 - Project or client assignments
 - Multiple criteria

Develop a communication plan:

- Who is responsible for communication?
- Who is attending? (don't forget employees on leave)
- What is the key message?
- When should it be delivered?
- How will it be conveyed?

Planning the Actual Meeting:

- Reserve a private meeting place
- Decide how employees will collect personal items and exit building, as well as security issues such as building and computer access and passwords (have alternative for emotionally charged employees to leave first and collect items later)
- Speak softly and with genuine concern
- Have tissue in the room
- Be respectful and respect the questions
- Prepare answers for the common questions:
 - > Why was my position chosen?
 - > Why me and not XXX?
 - > Who else is being let go?
 - > Am I the only one in my department?
 - > Who is going to do all my work when I am gone?

Employees remaining after the reduction in force may:

- **Be nervous and uncertain.**
- **Talk with co-workers about their concerns (i.e., not as productive).**
- **Discuss worst-case scenarios.**
- **Pass along rumors and speculation.**
- **Start to see co-workers as potential competition for jobs.**

Communicate often and openly:

- **Conduct individual employee meetings:**
 - > **Discuss their value to management and the organization.**
 - > **Answer questions.**
 - > **Ask for feedback on how to improve.**
 - > **Reassure, reassure, reassure...but don't mislead or over-promise.**
- **Conduct regular departmental and all-staff meetings.**
- **Acknowledge and recognize the extra effort and hard work of survivors.**

Provide training, resources and time to succeed:

- **Eliminate unnecessary or low-value processes/products/services from job duties.**
- **Provide training in new skills, knowledge and/or abilities to take on new job duties and responsibilities.**
- **Help prioritize tasks and projects.**
- **Provide and solicit daily/regular feedback.**

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Traditional vs. Proactive ROI factors

Corporate career transition services Return on Investment.

Defensive traditional ROI factors still apply

- Minimize litigation
- Minimize negative PR
- Prevent workplace violence
- Limit damage to the brand
- Minimize unemployment insurance costs
- Protect reputation

New proactive ROI factors are becoming more important

- Enhance your position as employer of choice
- Increase productivity of retained employees
- Strengthen retention of top performers
- Build your brand
- Strengthen your position in the ongoing war for talent
- Demonstrate your commitment to multi-generational diversity
- Do the right thing

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- Restructuring and downsizing can be an effective management tool if planned well and done in the context of not only current needs but future needs
- Separated employees tend to be more litigious when they are not treated with respect and dignity
- “Please go...please stay” is our new reality
- Building and protecting an organization’s “brand” will increase in importance with the looming talent wars
- Leading through Change vs. Abdication of Leadership
 - > Listen
 - > Educate
 - > Recruit
 - > Coach

- There are numerous alternatives to consider before making a reduction in force, including a hiring freeze, shortening the workweek or reducing hours, and cutting benefits programs.
- Various federal and state employment laws may be involved, including WARN and non-discrimination laws.
- Determining the financial goal and scope of the RIF as well as the selection criteria are important issues that require planning and preparation.

- Planning for a RIF meeting includes deciding who will conduct the meeting, the physical location, security concerns and preparing to address concerns and questions.
- Issues and actions afterwards include the reactions of employees, such as nervousness and uncertainty, engaging in discussions of worst case scenarios and negative speculation.
- It is important to communicate often and openly answering questions, asking for feedback and providing praise, training, resources and time for the remaining employees to succeed.

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**Questions?
Thank You!**

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