



Outplacements – Working Out the Out Of Work

In the current economic climate job cuts are on the increase and more redundancy announcements are expected to follow. SCG describes how outplacement services ease the pain of letting staff go.

Citigroup's plan to cut 50,000 jobs this week was the largest such announcement by a US company since 1993. The banking giant's announcement on Monday was beaten only by IBM in July 1993, when it said it would cut 60,000 jobs; the largest downsizing announcement in the US on record.

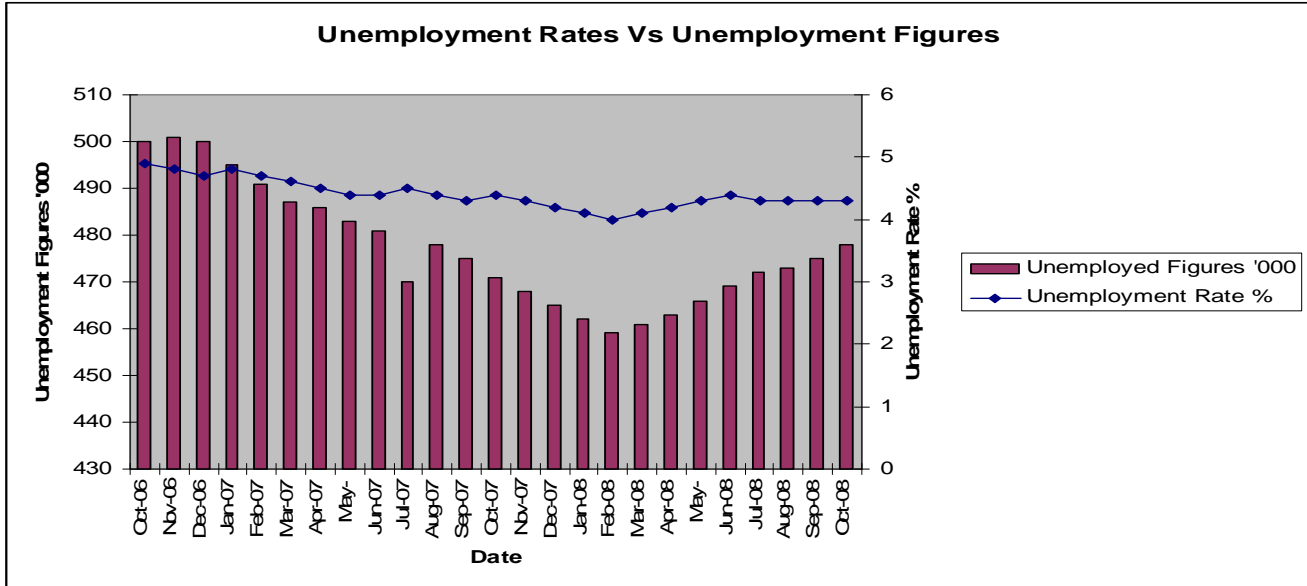
Obviously the weak economy is taking an increasingly heavy toll on jobs, with announced workforce reductions up 30 percent from a year ago. However, despite the need to cut costs, a new survey by Stonewater Consulting Group finds that the majority of companies are doing whatever it takes to preserve the perks their employees have grown to value preferring instead to cut unnecessary jobs and produce a leaner, meaner, and more efficient business. Surprisingly, only 20 percent of companies surveyed have had to cut or eliminate perks as part of their cost containment measures.

What does this tell us? First and foremost, that although the market conditions have led to heavy downsizing, it appears it has only forced into action a strategy that has long been a necessity for many businesses anyway: rationalizing and increasing efficiencies. According to SCG tallies, the month of October saw employers announcing plans to cut over 15,000 jobs across the Financial Services and Commercial Sectors alone. And yet the message is consistent: this will not reduce productivity. Rather, the focus is for organizations to recruit, develop, and retain more efficient and more productive teams.

2009: A time to focus on efficiencies

Our latest survey of HR Executives found that 34 percent of them still identified recruitment and retention as their top priority. The view is that companies which eliminate bonuses and perks will discover that employee loyalty and productivity are greatly diminished. Whilst employers may not see that impact during the current downturn, they will certainly feel it when the economy improves. One only needs to look at the lessons learned following the 2001 downturn and subsequent candidate short market that ensued to see how critical managing the current job losses is in ensuring a strong recovery when the tide turns (which it inevitably will).

Economists are expecting things to get worse before it gets better and the talk on the street is for many more job cuts to come (KPMG predicts 2009 will see more than 10,000 job losses in the Financial Services Sector across Australia alone). Underlying data from the Australian Bureau of Statistics also shows that although the unemployment rate has remained low at 4.3%, there has been an upward trend in the number of unemployed people since February 2008.



Presumably this trend will increase as the news of foretold lay-offs start to take effect and from the graph above the expectation is the % rate of unemployed will also increase in the coming months. It is therefore more critical than ever for companies to consider how they manage their retrenchments and to be sensitive to the career aspirations of the staff they let go. How they treat exiting staff will determine how successful they are when we return to the bull markets in the next stage of the economic cycle.

Outplacement services: a care of duty for retrenched staff

If the current climate means that your organisation needs to consider redundancies, providing the affected employees with outplacement support is vital. It ensures a company meets its duty of care to its employees by helping them come to terms with the shock of losing their job, focussing on what they want to do next and getting them interview ready so they can find a new job as quickly as possible. In addition, it helps maintain levels of self confidence through the inevitable rejection they are likely to face.

Common outplacement offerings include:

- Pre-planning and pre-announcement consultations
- Managing the separation process
- Providing career counselling to the laid-off employee(s)
- Resume writing
- Job searching
- Interview skills
- Group workshops
- One-on-one coaching
- Some outplacement services may also include office space for laid-off workers to use in their job search



If your organisation is considering engaging an outplacement specialist, certain things to keep in mind are as follows:

Think about what is important in making the decision

What is your budget and what are the service levels? Is the intention to have the employees redeployed elsewhere (in which case you need a service with a strong complimentary recruitment focus) or is the focus on protecting your brand image (in which case you may want to engage a more boutique outplacement firm that provides a more personalised and "human touch") or both?

Check what is covered by the programme

People are different and seek different levels of support. To what extent will the outplacement firm adapt their service to meet the needs of the individual?

Fees associated with outplacement services

In the main, there are two types of charges; some companies will charge a % rate (typically between 10% and 20%) of the outgoing person's salary, others will charge a flat fee (somewhere between \$5,000 to \$10,000 per person).

How long will the outplacement support last?

Generally a fixed three or six-month period is standard, although longer support systems are provided (particularly if the service includes a recruitment process).

Moving on, moving up, and staying positive

Whilst outplacement services do not guarantee a new job, the laid-off staff member typically benefits from the process if only in dealing with the stress and emotional challenges they face.

The Centre for Organizational Research asked more than 1200 HR Executives about the impact of outplacement and career transition services on their businesses and the vast majority reported improvements in their organization's image, productivity, profits, and staff morale. Furthermore, laid-off employees that had been put through an outplacement exercise were less likely to sue and managers using outplacement firms experienced less stress throughout the redundancy process.

In all cases, those surveyed ranked outplacement services as a worthwhile investment; both in terms of giving laid-off staff access to career transition programmes and in providing support to the Managers and HR teams who are making the redundancies.

As the saying goes: "no pain, no gain", but at least in today's world there are ways to offset that initial anguish and turn a difficult and challenging exercise into a positive experience for all involved.

If you would like to know more about how your organisation can benefit from Outplacement Services please contact one of our Directors at Stonewater Consulting Group (SCG) on 02 8233 9207 for a confidential and obligation-free discussion.