



## Tough Layoff Decisions: Making Choices About Who Leaves and How

For organizations grappling with layoff decisions, none of the choices are easy. Probably one of the hardest decisions is how many positions should be eliminated. According to DBM experts, organizations must aim to make the first staff reduction deep enough so that subsequent cutbacks – which will only prolong the trauma to the organization and its people – can be avoided, if possible.

The next set of decisions, centering on "how" and "who," are just as tough. A company has primarily three methods to consider when reducing its workforce:

1. Voluntary Early Retirement, in which employees nearing the age of retirement are offered incentives to retire early;
2. Voluntary Separation, in which employees of any age or level can be offered incentives to leave (those eligible to volunteer are determined in advance by the company); and,
3. Involuntary Separation, in which positions are eliminated, forcing employees to depart at the company's discretion.

Unfortunately, most companies today – because they're financially pressured to cut quickly – are reluctant to offer voluntary programs. Voluntary separation is generally more time consuming and expensive, as employees need to be given more than a month to decide if they want to volunteer.

However, workers who are offered a chance to leave on their own accord generally feel more in control of their futures and tend to hold fewer hard feelings toward their former employers. Therefore DBM encourage companies to implement a voluntary program before resorting to involuntary measures.

### **Voluntary Programs: Incentives and Support Are Key**

To ensure success, voluntary programs require two key elements: (1) incentives that employees will deem worthwhile, and (2) support, such as a career decision workshop, to help employees understand the situation and decide whether the time is right for them to make a career change.

In our experience, companies that offer their employees career decision support typically meet and exceed the number of volunteers they expect to receive. The better employees understand their options, the more comfortable and confident they feel about leaving the organization.

With regard to incentives, typical offerings include enhanced severance packages (i.e., cash bonuses and bridging to retirement) and outplacement/career transition support to assist employees with deciding their futures, whether it be finding a new job, starting a





business or pursuing a new career. Early retirement candidates are also typically offered extension of health insurance coverage and other benefits.

### **Involuntary Separation: Selection Is Critical**

To companies resorting to involuntary separation, DBM issues a word of caution: in selecting which positions to eliminate, do not use your existing performance appraisal system to evaluate employees unless you plan to establish a new system after the cutbacks.

Once an appraisal system is used to determine who should be let go, it is perceived as tainted. To prevent employees from feeling as if their jobs are on the line every time they are evaluated for raises and promotions, it's best to use separate selection criteria during a cutback.

"Forced ranking" is often used to determine involuntary cutbacks. In this process, managers determine a list of the most critical skills needed among their workers to increase their company's profitability. Employees are then evaluated according to the critical skills criteria.

Focusing on skill as opposed to performance helps cutbacks to remain directly in line with a company's restructuring goals. Poor performance should not be a selection factor in restructuring; it is a separate issue that managers should address on a daily basis to ensure their workforce is always operating at the highest level.

### **About DBM**

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