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Outplacement Practices in B.C. 2009

Survey Report

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Executive Summary

In December 2008, a survey was conducted to determine the future staffing intentions and their current outplacement practices of organizations in B.C. The survey received 211 responses from all sectors and regions of B.C.

The survey responses indicated that over 41% of British Columbia Human Resources Management Association members are considering reductions in staff. The main reasons cited for reducing staff are a reduction in the volume of business or the need to reduce overall operating costs. Some organizations are reducing staff based on the future uncertainty of the economic climate.

It's encouraging that most organizations are taking the following approaches to their staff reductions rather than simply reducing the workforce across the board. The two main approaches include a hiring freeze combined with voluntary turnover and targeted layoffs where reductions are based on the economic conditions facing a particular function or the skills alignment of individuals within the function. These two approaches have been shown by prior research to reduce the negative impacts which come from staff reductions. However, 8% of respondents were considering across-the-board cuts and we urge these organizations to consider a more strategic approach.

Organizations tend to use outplacement services for two main reasons: to reduce the negative impacts of layoffs on remaining staff and to support staff in finding a new job. Research has shown that the negative impacts of layoffs on remaining staff are mediated if they believe those being let go are treated respectfully. The survey also shows that the use of outplacement services is on the rise with 25% of organizations increasing the number of job levels they cover.

Even though outplacement services are more frequently used at the more senior job levels such as executives, approximately 30% of organizations provide outplacement services for all levels of staff. The average budget per person allocated for these services is \$2,000 - \$3,000. As expected, the budget per person increases depending on their level within the organization. Although managerial and executive level staff are equally provided with outplacement services, the budget per person is significantly higher for people at the executive level.

Overall, 2009 is looking to be a very different year than the previous five. Instead of hiring shortages, the province is likely to see less demand for labour. The use of outplacement services is a common practice and the effectiveness of the service clearly understood. The increased demand for outplacement services is likely to lead to an increase in service providers. This increase in providers should lead to more competition, which in turn may drive either a price reduction or service innovation.

1. Introduction

In December 2008, a survey was conducted of the outplacement practices of organizations from all sectors of the B.C. economy. The survey received 211 responses from a sample group which closely matches the B.C. economy overall. The following report outlines the main findings and conclusions from the survey.

2. Main Findings

2.1 Staff Reductions

The survey included the general question about organization's intentions with regard to reductions in staff.

In response to the question:

If you are considering a reduction in workforce which areas of your business are being impacted?

58.6% indicated that they were not considering staff reductions.

41.4% indicated that they were considering staff reductions.

The single biggest area for reductions is the operations function of the organization. Finance and HR were the next two most frequently cited areas.

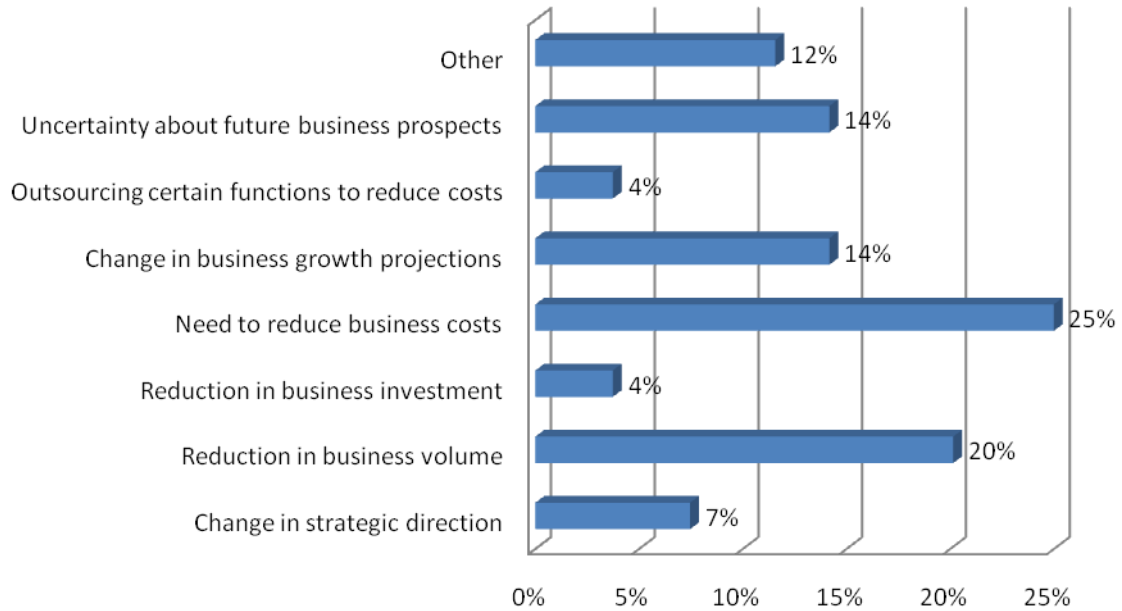
2.1.1 Factors Behind the Reductions

The two most frequently cited reasons for the staff reductions are a reduction in the volume of business (25%) and the need to reduce business costs (20%). The third and fourth most popular reasons are a change in business growth projections (14%) and the uncertainty about the future prospects of the business (14%). These responses suggest that at least a portion of the staff reductions taking place are proactive and based on a lack of clarity about the future and not on specific negative business impacts.

More details are provided in *Table 1* below.

Table 1

Reason for Reducing Staff



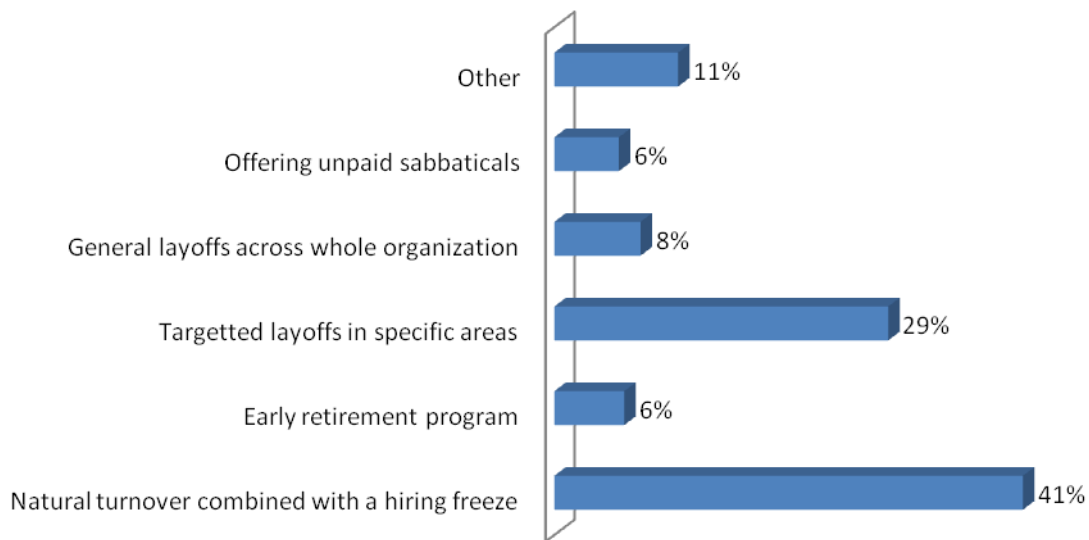
The reasons explained in the “Other” category include a reduction in government funding and the introduction of technology which eliminate the need for certain roles.

2.1.2 Process for Achieving Reductions

The majority of respondents are reducing their workforce with a hiring freeze combined with attrition. These approaches are seen as the least intrusive way to reduce staff and have a lesser impact on staff morale than sweeping or across the board cuts. The second most commonly cited approach is targeted layoffs in which people are laid off based on either the economic conditions in their business area or for reasons of performance / skills alignment.

Table 2

Approaches to Achieving Reductions



Amongst the approaches cited under the “Other” category were reducing hours of work and offering educational leave.

2.1.3 Level of Severance Provided

With respect to the level of severance and support provided, the respondent organizations indicated the following practices:

- 41% provide packages that are above the minimum employment standards for B.C.
- 30% provide packages that meet or exceed the minimum standards depending on the level of staff member being let go
- 27% ensure that they meet the minimum employment standards for B.C.
- 2% meet the minimum standards of a province other than B.C.

These results suggest that organizations are more aware of the reputational risks and the repercussions on employees when staff are laid off. The number of organizations choosing to exceed the legislated standard severance payment suggests they are conscious of maintaining a reputation as a fair and respectful employer. Negative perceptions of remaining staff are reduced when they believe those who have left have been well-supported.

2.2 Use of Outplacement Services

The following section discusses the use of outplacement services in regard to both the frequency of use and the reasons for which people will invest in outplacement services.

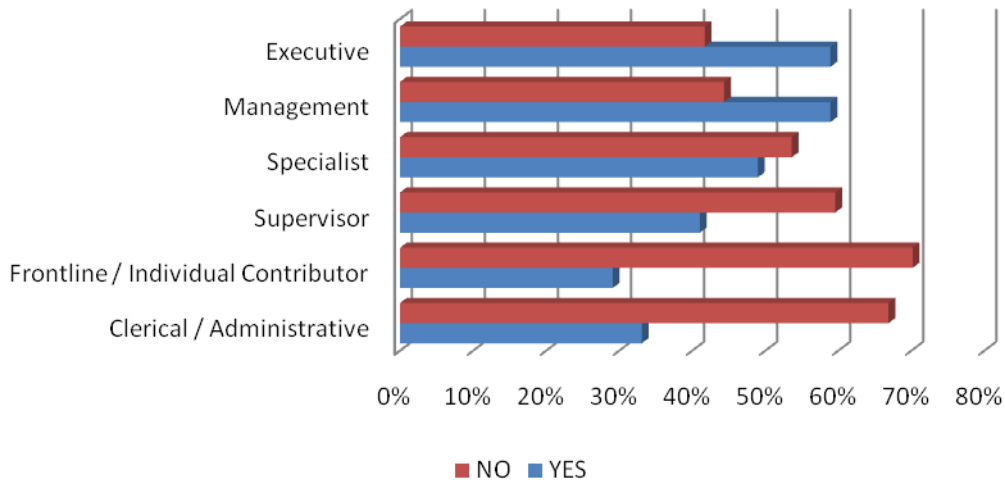
2.2.1 Staff Levels Receiving Outplacement Support

Respondents were asked which levels of staff were provided with outplacement services as part of a severance package. *Table 3* below shows the range of answers. The provision of outplacement services is more common for management and executive roles and both receive similar levels of support. However, it is also interesting to note that close to 30% of organizations will provide outplacement services to staff in the individual contributor or clerical / administrative categories. These results suggest that the use of these services is wide-spread. This information, when viewed in conjunction with *Table 4*, suggests that this wide-spread coverage is a recent development and has not always been the case.

The survey also found that not all organizations use outplacement services when undertaking staff reductions; 40% of respondents stated that they do not use outplacement services of any sort. Organizations with less than 200 employees were less likely to use an outplacement provider while usage was highest amongst organizations with over 2,000 staff.

Table 3

Staff Levels Receiving Outplacement Support

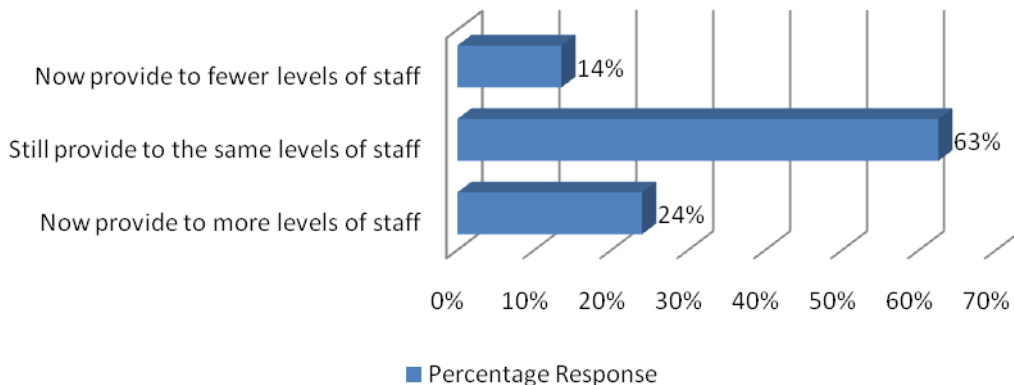


2.2.2. Change in Use of Outplacement Services

Respondents were asked how their use of outplacement services had changed in recent years. Table 4 shows the detailed results. It is worth noting that close to one in four organizations are increasing the number of roles to which they offer outplacement services.

Table 4

Change in Provision of Outplacement Services



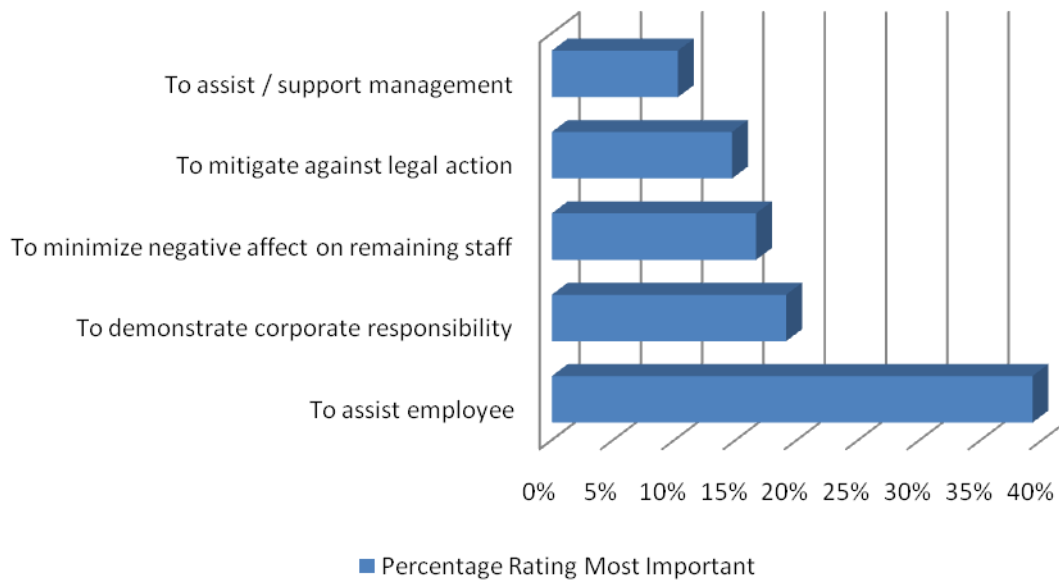
2.2.3 Reasons for Using Outplacement Services

There are many reasons to use outplacement services; some relate directly to the employee and others relate to the organization and its associated risks. *Table 5* outlines the reasons that were rated “most important”. The most popular response was to assist their former employee to find new work. This concern for the individual is followed with a concern to protect the organization’s reputation and to minimize the negative impacts on remaining staff. Experience has shown that layoffs can cause remaining staff to become unfocused and unproductive due to uncertainty and emotional shock and the organizations ability to attract good candidates can be reduced. The survey respondents demonstrated their awareness of these issues when they stated that they wanted to minimize the negative impact on staff and demonstrate the organization’s commitment to social responsibility.

Outplacement services are generally not used to assist managers with the layoff process and it’s not clear what support is offered to management. Often managers have little or no experience of this type of event and can be deeply impacted by the actions they are required to take.

Table 5

Reason for Use of Outplacement

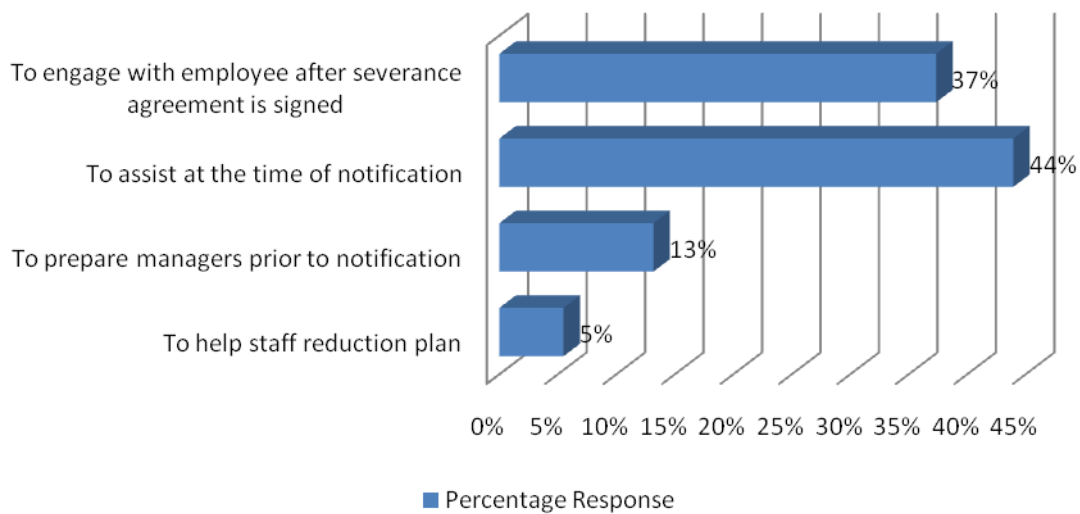


2.2.4 Stage at Which Outplacement Providers are Engaged

Not all organizations use outplacement services in the same way. Most respondents indicated that they bring in the outplacement provider to assist at the time of layoff notification. Many respondents also stated that outplacement services are used after the employee had signed-off on their severance agreement. Very few organizations engage with outplacement providers to plan the staff reduction or support managers in preparing to notify their staff.

Table 6

Stage at Which Outplacement Services Start



2.2.5 Support of Organizational Goals

When members were asked to rate the effectiveness of outplacement services, most respondents thought they were effective at maintaining corporate reputation. Many also considered outplacement services effective at assisting employees in finding new roles.

2.2.6 Average Spend on Outplacement Services

Survey respondents were asked to indicate the amount of money they budgeted per person for outplacement services. *Table 7* gives a high-level view of the average budget for all levels

Table 7

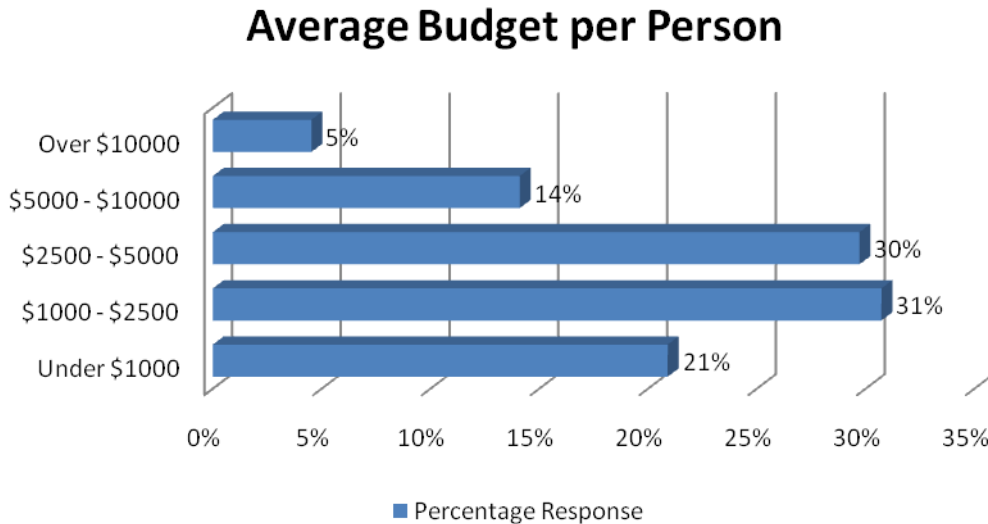
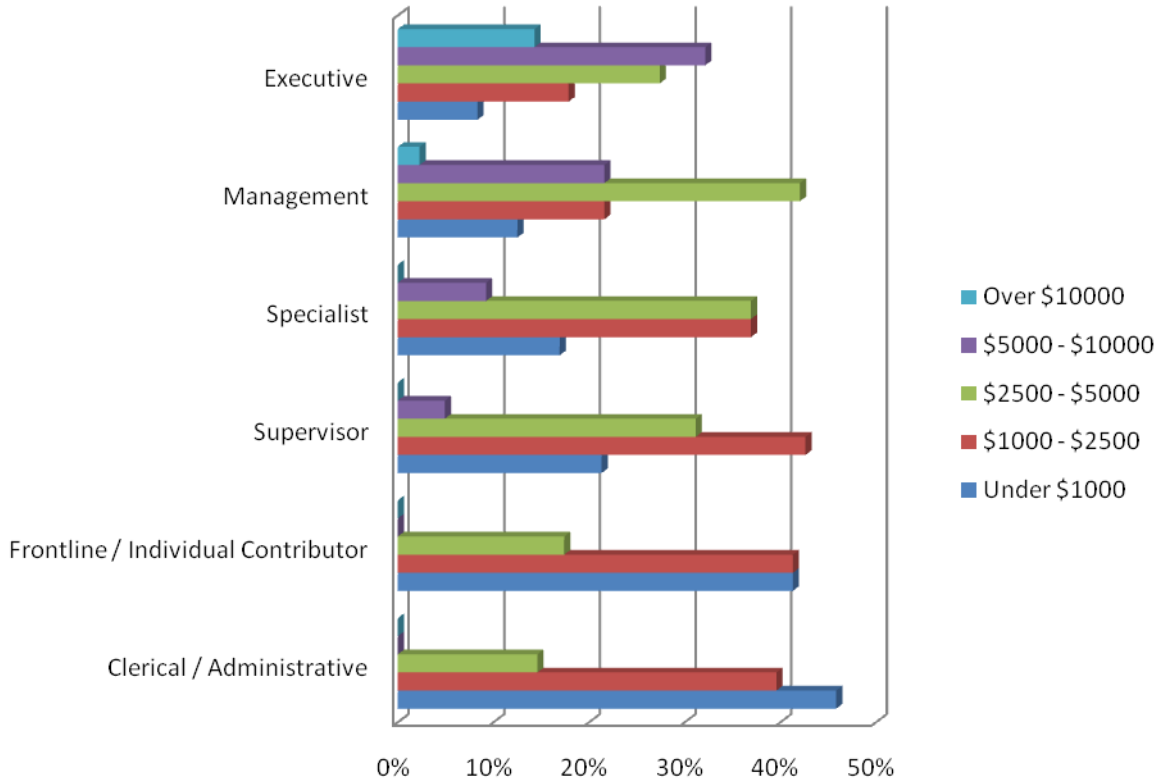


Table 8 looks closer at the budget and describes the average budget by job level. As you would expect, the more senior the role, the higher the amount spent on outplacement services. Although outplacement services were used equally for manager and executive levels, there was a distinct difference in the budget allocated between the two. It is also worth noting that specialists on average received a greater budget allocation than supervisory staff.

Table 8

Budget Range by Staff Level



2.3 Summary

In 2009, B.C. is facing a dramatic shift in economic conditions. What was once a booming economy has quickly switched to a shrinking economy and an uncertain future. As expected, survey respondents are reacting to this situation – over 40% are undertaking or planning to undertake reductions in staff. The main reason for the staff reductions is to adjust to reduced business volume or to cut costs. Some cuts are being undertaken based on the uncertainty in the economic climate.

It is worth noting that just under 60% of respondents are not considering staff reductions which suggests that many elements of the B.C. economy are stable or growing and have yet to feel any impacts from the change in economic conditions, or perhaps recognize the effort required to find and hire the right staff and so are choosing to ride out the storm.

Human Resources has learned the hard way what downsizing tactics work best for organizations. These days, most organizations are either applying a hiring freeze and reducing through attrition or are undertaking targeted reductions based on economic conditions or skills alignment in certain areas of the business. The organizational function most significantly impacted is operations. HR and Finance are also key areas where reductions are taking place.

It is concerning that 8% of respondents are considering across the board layoffs. Outcomes from previous recessions suggest that this type of reduction tends to have the most negative effect on the organization and lead to losing the wrong staff or the need to rehire your best talent.

When making staff reductions, many organizations use professional outplacement services. Survey respondents said they use these services for two main reasons: to protect the organization from reputational risk and to support employees in their job search. Respondents believe that outplacement services are most effective at achieving these two goals.

The use of outplacement services is on the rise with 24% of organizations providing them to a wider range of staff. Although these services are most frequently used for managerial and executive roles, approximately 30% of respondents provide outplacement services to all job levels within their organization.

The typical approach to outplacement services is to engage with the provider either at the time of notification or after the severance package has been signed-off. Very few organizations use these services to help plan the staff reduction or to help prepare their managers.

When budget is allocated for outplacement services, the majority of organizations fall into two ranges; an equal number of organizations spend \$1,000 - \$2,500 per person or \$2,500- \$5,000 per person. Most organizations spend more per person for senior roles than for entry-level roles.

3. Conclusions

The use of outplacement services is a well-established practice and is likely to see a significant increase in the near term. Organizations are encouraged to use this data to benchmark their practices in terms of the budget per person, the reason for use and also the range of roles for which these services are provided.

Human Resources practitioners are to be applauded for their approaches to staff reductions. Those who are considering across the board cuts are urged to be more strategic and decrease their workforce in areas that are not core to the business, or do not generate significant revenue or value. Through this data, it is evident that HR practitioners are demonstrating that they know how to look after the long-term interests of the organization and ensure that the right talent is still available and engaged for when the economy turns around.

Outplacement services are used predominantly to reduce reputational risk and demonstrate a level of corporate responsibility. This rationale can be seen as a response to the work choices of Gen X and Y who tend to be more concerned with values alignment when selecting an employer.

Given the growth in this field and organizations' desire to reduce costs, there is potential for innovation in service offerings and potentially some new entrants into the market.

4. Survey Demographics

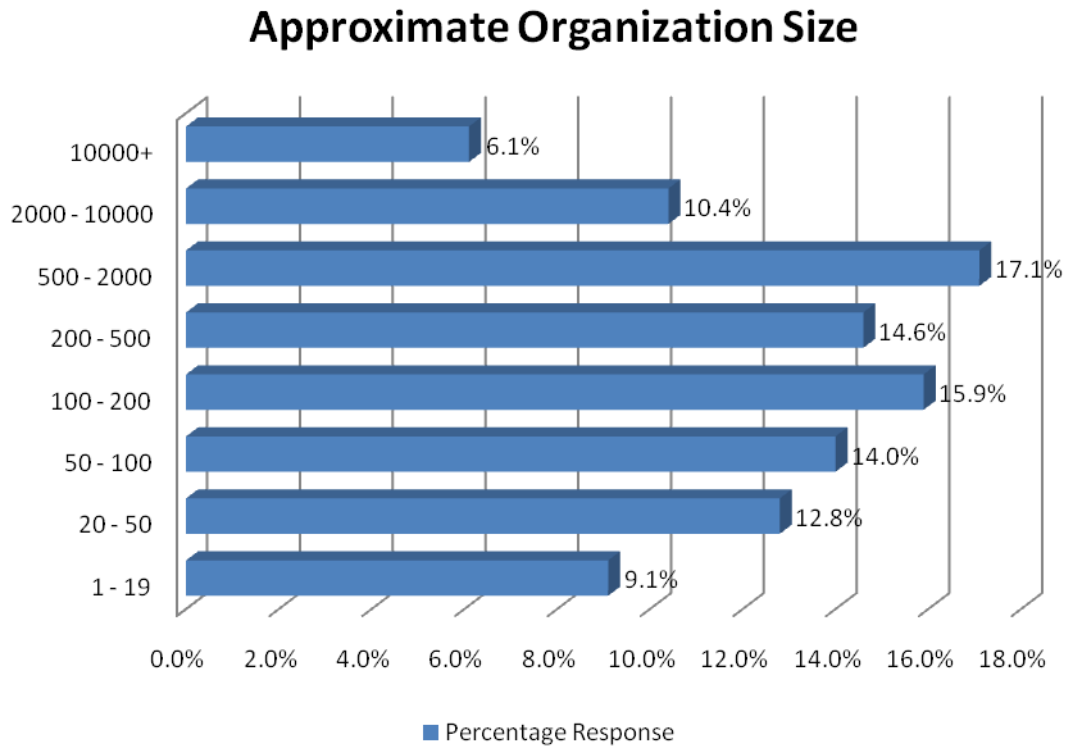
This survey received 211 responses from organizations across B.C. Overall, the sample closely reflected the make-up of BC HRMA's membership and can be considered as representative of the members' views.

The detailed breakdown of the respondent demographics is below.

4.1 Respondents by Organizational Size

Table 9

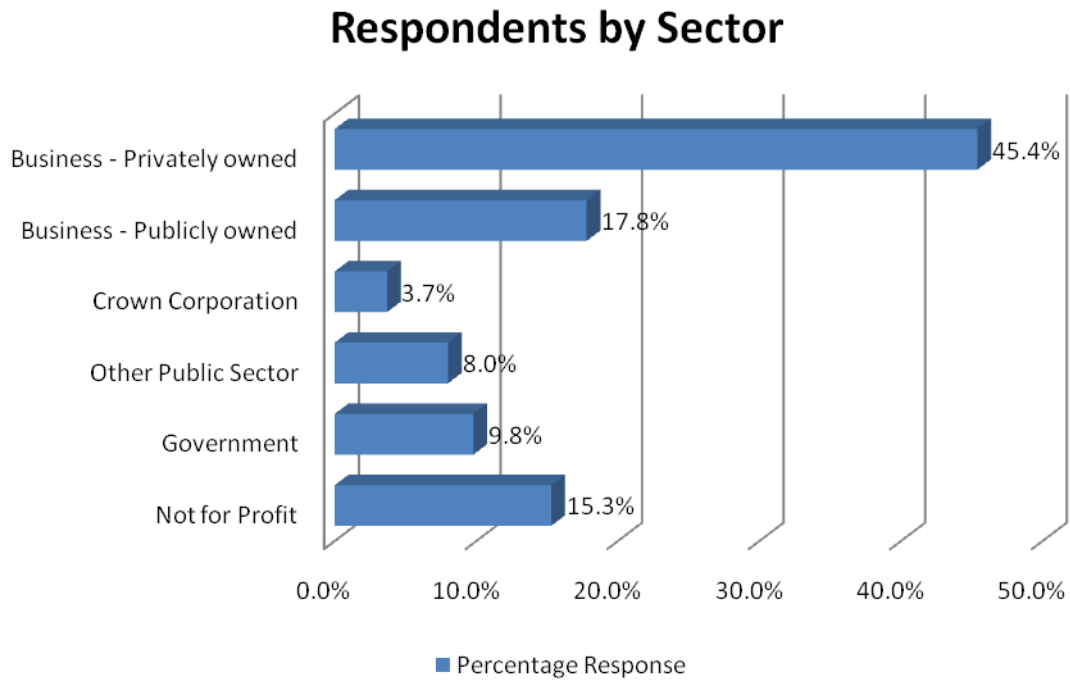
The respondents to this survey came from organizations with employee headcounts in the following ranges. The majority of responses came from organizations with 50 to 2,000 employees.



4.2 Respondents by Organizational Sector

Responses came from the full range of organizational sectors represented in B.C. Over 62% of responses came from the private sector, 22% from the combined public sector and 15% from not for profit organizations. *Table 10* shows the details of the percentage respondents from each sector.

Table 10



4.3 Respondents by Region

The respondents to this survey came from the following geographic regions within B.C.:

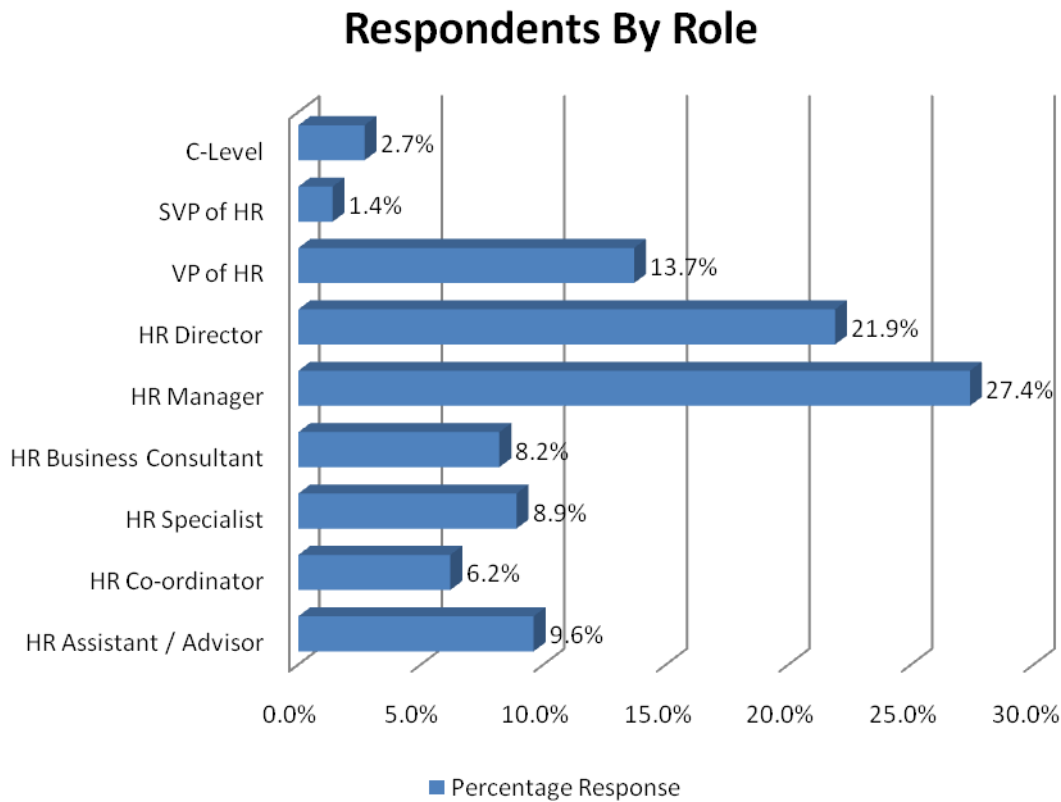
Table 11

Region	Response
Coastal Vancouver (Vancouver, North Shore, Howe Sound)	36.7%
North Vancouver	4.1%
Fraser Valley (Langley, Abbotsford, Chilliwack etc)	8.8%
Greater Vancouver (Richmond, Surrey, Delta, White Rock, etc.)	25.2%
Northern Interior (Prince George to Smithers)	3.4%
Southern Interior (Kelowna to Castlegar)	3.4%
Central Interior (Kamloops to Williams Lake)	1.4%
Vancouver Island and Sunshine Coast	17.0%

4.4 Respondents by Role

Survey respondents held the roles as displayed in *Table 12*. The “Other” category includes such roles as: General Manager, Office Manager, and Program Coordinator.

Table 12



About the Author

Ian J. Cook is the director of HR knowledge and research at BC HRMA. Ian is using his global HR consulting experience and business knowledge to grow a function which delivers informative, relevant and timely comment. He can be contacted at research@bchrma.org.

Acknowledgements

We gratefully acknowledge the support of Eric Smith and CareerPlan in enabling us to conduct this research.