

Human Capital Strategy: Retrenchment

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The Three R's How Do You Survive?

Re-
Assessment of
the Workforce

Who - Calibrate
the Workforce

Retrenchment

How to Treat
People with
Dignity and
Respect

Re-
Engagement

What can we do to
motivate you?

Retrenchment How do You Survive?

Retrenchment of the Workforce

Communications

Implementation –
Treating People
with Dignity and
Respect

Cost – How much?

Key Questions

- What are key messages you want the workforce to have before, during, and after the reduction in force?
- How do you ensure that the employees that are leaving are treated with dignity and respect?
- What will you tell the rest of the organization and when?
- What kinds of costs will you anticipate?

Key Messages Before, During and After

- The reduction is a last resort
- The reduction shouldn't be a surprise to anyone
- Senior management is engaged and knows what is going on

Treating Employees with Dignity and Respect

- ❑ HR and Managers are involved and working together:
 - But, the Company cares about confidentiality and there is careful handling of the information specific to each employee
- ❑ Each Severance Package needs to be personalized
- ❑ Point of contact for questions
- ❑ Provide outplacement services
- ❑ Giving the employee time to get their stuff together, saying “goodbye” is important!

Communications: Rest of the Organization

- Limited legally to what you can say
- Business related and from the highest executive level
- Sometimes required to pre-announce – Warn Act
- Once actions have been taken, communications from manager must be consistent, scripted, and reviewed with Legal, before...

Cost: “Penny wise but pound foolish”?

- Look upon the cost of severance as the cost of goodwill, which is priceless!
- It will be more than you expect it to be....
- Prepare your executives: Capturing costs is an estimate only and there may be some indirect costs not accounted for!

Capturing Costs

Direct Costs

- Notice Pay
- Severance Pay
- Retention Bonus
- Corporate Bonus or Sales Incentives
- Outplacement Services
- COBRA – for set period
- Legal Fees

Indirect Costs

- Negotiating time costs
- Management
- HR
- Facilities
- IT
- Executives
- Unemployment Premiums