Key Steps in Initiating and Conducting a Layoff/RIF/Furlough

Layoffs have far-reaching implications for a company and its employees. And the decision to have a reduction in force requires an honest and in-depth evaluation of the potential pluses and minuses involved in taking that step. It demands both a clear-eyed look at the facts and possible alternatives, as well as a certain amount of soul-searching.

One: Goal Setting, Analysis

* What outcome do you want to achieve? (What is the problem?)
* Are there alternatives? (Furloughs, temporary layoffs, etc.)
* Is this the right time to hold an event like this?
* What positions will be impacted by the move? (Locations,
* departments, teams, etc.)
* What will this achieve?
* How do you control the public narrative?

Two: Make a Plan

* Create your team. Talk with managers, executives, accountants, etc., to identify where cuts can be made and what those cuts will achieve.
* Get a better understanding of how many cuts need to be made. Where these cuts will happen (locations, teams, etc.).
* Re-examine if there are other courses of action. Can you hold a voluntary RIF?
* Voluntary retirement? Any reductions that can be done voluntarily should be thoroughly inspected.
* Completely lay out your budget to make sure your plan hits all the proper places and gets you back on track. There is no point holding a RIF if you are still going to be in the weeds when it’s over.
* Create an initial timeline.
* Put everything into a document that is sent to your legal team for review to make sure you are following all local, state, and federal laws.

Three: Layoff, RIF Selection

* Establish criteria. You can use this guide to help.
* Create a team to go through this process.
* Create a list for the event. Make sure your team reviews it thoroughly.
* Start the process after finalizing the list. Make sure you talk to your legal team throughout the process.
* Review WARN Act issues.
* Prepare notices. (Verify and Review WARN Act notices and criteria).

Four: Severance, Outplacement, Etc.

* Create and explore severance agreements. Pay special attention to employees who are in protected groups.
* Create all communication materials. (Layoff letters, notification letters, memos, etc.)
* Establish a way for staff members to meet with you. Also, prepare meeting times to notify those being let go. Learn more in the following pages about how to hold a layoff or RIF meeting.
* Actually, hold the meeting(s).
* Hold meetings and provide communication to survivors after the event.

Simple Script for a RIF or Layoff Notification Meeting

1. The Beginning, Explaining the Reason

The reason for the layoff should be delivered by the Manager. Get straight to the point. This can feel abrupt, but you’re doing no one any favors by circling around the issue. Avoid small talk during the meeting. Get to the notification immediately and state the reason. For example, “As announced in late August, the division is adjusting our overall operating costs in response to the weakening demand for specialty products and this includes reducing staffing levels. As a result, a number of positions at this facility are being eliminated and your position is one being affected.”

2. The Middle, Listening for Reactions

While you are communicating the decision and the reason for the decision, it is critical that you take the time to wait for and listen to the reactions of the employee(s) and to respond to those reactions and questions appropriately. Don’t interrupt. You just want to listen and sometimes let the employee vent. They might have to take a load off their chest, or they might want to get out of the meeting as soon as possible with few words to exchange. At some point, HR will step in and transition the meeting to reviewing the severance agreement and outplacement services being offered.

3. The Middle, Presenting Severance Agreements and Outplacement Services

In most cases, HR will review the high points of the severance agreement and outplacement services being offered to the employee. Any good severance agreement will include outplacement to help the employee transition.

A typical script for this section is: *“We’ve prepared a severance agreement for you to review, which will explain the benefits being extended to you. (Review the key points of the agreement.) Your last day physically at work will be \_\_\_\_\_\_\_\_\_\_\_\_\_ (insert date). Your last day of employment will be \_\_\_\_\_\_\_\_\_\_ (insert date). You have 45 days to decide if you want to sign. If you choose to sign the severance agreement, you will be placed on a paid leave of absence for a period of \_\_\_\_\_ days. After the \_\_\_\_ days, you will receive severance pay according to the company severance schedule based on your years of service. You are also eligible for outplacement assistance that will begin immediately. Normal tax withholding will be done for the severance pay to ensure compliance with federal and state laws. We recommend you share the agreement with an attorney before signing, as it is a legal document.”*

You should also review the outplacement program that your particular outplacement provider offers. This will again reiterate that you are helping them transition, which is important. Review other benefits that may apply, such as when severance will be paid, medical, 401K, pensions, stock options, etc.

4. The End, Transition of Work

Here the manager will take the discussion back to understand what work is critical they need to be aware of. Plans should usually be made to complete the employee’s current workload, as well as any unfinished projects they are involved in. If you treat the employee with respect, they will usually in turn give you the courtesy of making sure all of the work will transition smoothly.

5. The End, Exit from Human Resources

At this time, collect their badge, company keys, and any other company property they may have with them at this time. Also, review the process for removal of personal property. It is recommended not to let the employee walk back to their desk, but if it is necessary, consider having HR or the supervisor escort them back. You should allow what you feel would be respectful as part of your company culture. For largescale layoffs, consider having EAP and/or outplacement on site to help support emotions and career transition questions. Outplacement reps often time can help with the emotional support, as well as help answer questions related to career transition.

This is never an easy meeting to hold, but this simple script for a RIF or layoff notification meeting should prepare you for a smooth and professional delivery.

Offboarding Checklist

The following outlines the final steps in the layoff process, including those that play role in the transfer of knowledge and the return of company property.

1. Send out communications to appropriate people notifying them of the person’s departure This can include the person’s coworkers, peers, direct reports, and any other external stakeholders to the organization that should be made aware.

2. Set up a knowledge-transfer plan Your leaving employee will need to transfer over any specific knowledge about their work to their successor or another team member. While we are referring to the more complicated knowledge transfer of details and skills about a specific project, we also mean simple knowledge transfer. For example, phone numbers of external vendors, keys for cabinets, etc.

3. Return company property

• Keys

• Uniforms

• Specialized equipment

• Badges

• Company credit card

• Etc.

4. Update internal systems Remove your employee from IT systems, security, etc. Also, if you have a company intranet that hosts the org chart, make sure to update that as well. Complete final payments in the payroll system.

5. Conduct an exit interview, or have employee fill out an exit questionnaire Ask questions about the employee’s motivations for leaving, issues with their position, etc.

How to Select Who to Lay Off

After determining that a layoff is, in fact, unavoidable, the question of who to lay off looms large. And because the selection framework for that decision can expose employers to the risk of lawsuits, it’s important to take steps to ensure that the choices made do not adversely affect employees in one or more protected categories, such as race, age, gender, or disability. The most reliable way to accomplish this is by establishing criteria that are objective, measurable, and correspond to the company’s legitimate need to implement a reduction in force.

Though bottom-line considerations typically drive a lay-off decision, at the end of the day it’s really about people. Treating employees with respect and simple kindness goes a long way towards making a difficult situation easier to bear. Let people know that they’re being let go not because they weren’t good employees, not because their hard work hasn’t been appreciated, but rather because the company’s finances left no other choice.

There is no one-size-fits-all approach to formulating a strategy regarding who will be laid off. However, the guides you’ll find in this section are designed to help you arrive at an approach that best serves your company and your employees.

METHOD #1: SENIORITY-BASED SELECTION

Definition: Lay off employees based on shortest tenure at your organization.

Pros: Easy, helps avoid age discrimination.

Cons: Overly simplistic, doesn’t help avoid other types of discrimination.

METHOD #2: EMPLOYEE STATUS-BASED SELECTION

Definition: Lay off employees based on their part-time or contingent worker status.

Pros: Easy, help better manage your employer brand.

Cons: May need to be used with a different method, doesn’t take into account an organization’s reliance on contingent workers.

METHOD #3: MERIT-BASED SELECTION

Definition: Lay off your poorest performing employees.

Pros: Helps get rid of poor performers, easy to execute if you have performance reviews.

Cons: Performance reviews can be subjective, which can lead to legal liability and doesn’t take into account the importance of different departments.

METHOD #4: SKILLS-BASED SELECTION

Definition: Retain employees with skills most impactful to your organization, and layoff those not in this category.

Pros: Help keep talent in areas that are helping to improve your organization’s bottom line.

Cons: Difficult to achieve the amount of cross-department collaboration to pull this off.

METHOD #5: MULTIPLE-CRITERIA RANKING

Definition: Create a weighted formula that puts emphasis on different criteria most important to your organization then lay off employees who rank poorly.

Pros: You will be able to customize this to reflect the factors that are most important to your organization.

Cons: It can be difficult to set up, and must be exhaustively tested against discrimination laws.

How to Use Multiple-Criteria Ranking to Lay Off Employees

STEP #1: SELECT YOUR RANKING FACTORS

Example: tenure at company, certifications, promotability, performance reviews

STEP #2: CREATE A SCALE FOR EACH FACTOR

Tenure (1-5) Example:

<1 year: 0

1-5 years: 1

6-9 years: 2

10+ years: 3

STEP #3: ASSIGN WEIGHTS TO DIFFERENT FACTORS BASED ON IMPORTANCE

Example:

Tenure = 0.5

Certifications = 2

Promotability = 1

Performance Reviews = 3

STEP #4: HAVE YOUR HR ANALYST CREATE THIS FORMULA FOR YOU

STEP #5: HAVE YOUR ANALYST AND LEGAL COUNSEL TEST THIS MODEL FOR DISCRIMINATION LIABILITY

STEP #6: SCORE YOUR EMPLOYEES USING THE MODEL YOU’VE DEVELOPED

Example:

Tina= 7

Lisa= 28

Steve= 19

STEP #7: SORT YOUR EMPLOYEES BY LOWEST TO HIGHEST SCORE

STEP #8: SELECT EMPLOYEES

In ascending order, select employees to be let go until you reach your financial goal based on the total sum of each employee’s salary.