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A winning solution

While a redundancy payout helps a person survive financially, outplacement helps to get them through the career transition process faster and with significantly greater success, says David Somerset.

Outplacement, or career transition as it is often now termed, is traditionally offered to employees who leave a company as a result of major organisational restructure. In the current global economy, organisations need to be especially responsive and competitive in their respective markets. It is paramount to their success—and often their future survival.

Providing transition support in times of change is a key part of this. Today's employers increasingly realise that in a skill- and candidate-short market, how the departing staff feel about their organisation will impact on the ability to attract new and retain existing people. The process used and manner in which organisations treat their

exiting employees will have either a positive or negative effect on colleagues remaining. And this will have an impact on organisational performance through the change period and into the future.

Historically, outplacement support has been the domain of the corporate world. Today, it is a strategy that is offered to exiting employees across all sectors and at all levels. Employers need to be seen to be assisting affected employees throughout transition, not only to help those individuals prepare for the future, but also to ensure wider corporate wellbeing. Employees who survive change need to see that their departing friends and colleagues are being supported.

Although the benefits of outplacement have now spread to serve



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all sectors, the level of support varies budget-wise from company to company. While some organisations appear to offer only token support, providing the minimum amount of assistance, others are considerably more generous to their departing employees.

The level of outplacement support depends largely on the value an organisation places on providing such help. Clearly, a company's culture and its attitude towards employees—along with an understanding of the benefits of career transition—play a key role in how it approaches a restructuring. The level of seniority of the individuals involved, and policies dictated by parent companies overseas, may also play a part in an organisation's decision-making.

Within the companies we work with, the volume of transition support may also be controlled by the needs of the different levels of employees, and the complexities of the job search they face. Senior

executives usually require more time assistance and a customised programme to gain new employment. Assistance for production employees, on the other hand, may consist of a one-day workshop.

Outplacement and ROI

Outplacement services are used extensively to reduce the negative impact of change, and the benefits far outweigh the costs involved. While a redundancy payout helps a person to survive financially during a period of unemployment, outplacement helps to get them through the career transition process faster and with a significantly greater degree of success. Without career transition assistance it will typically take a person four months or more to secure work following redundancy.

In 2002, the Center for Organizational Research (COR) carried out a study involving more than 1200 senior human resource executives, representing companies from a wide variety of industries. Forty-six percent of the respondents worked with organisations which employed more than 1000 people. They were asked to share their views on the value and benefits of providing transition services so that the return on investment could be measured.

Of those who responded to the survey, 88 percent had experienced a downsizing within the past five years and, among those, 38 percent had experienced four or more downsizings. The study identified four key benefits of providing outplacement services.

Firstly, providing outplacement services helps to avoid and/or minimise legal risk. When terminated employees talk about their future with an outplacement consultant, they are not talking to lawyers about 'unfair treatment'. Outplacement provides terminated employees with a safe way in which to recover emotionally, redirects them towards the future rather than the past, and generally smoothes the transition process.

The COR study found outplacement consulting services reduced litigation by 72 percent. Those companies which used these services were 28 percent less likely to have personal grievance action taken against them than those which did not.

Among those companies which used outplacement services and employed between 500 and 5000 employees, only 15 percent had personal grievance action filed against them, compared with the 26 percent of companies which did not provide help. In companies with more than 5000 employees, the difference was 25 percent versus 37 percent.

Here in New Zealand, the Employment Relations Authority reports that approximately 57 percent of PG claims relating to redundancy go in the employee's favour. The average payout per person is over \$10,000—not including legal costs. The total cost of personal grievance claims relating to redundancy each year is at least \$12 million.

Effective solutions for workplace bullying and harassment issues

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This cost does not include claims that are settled out of court.

A second benefit of outplacement is that it helps maintain a positive public image for the company. Terminated employees who have been treated fairly and with dignity by their employer generally speak well of the organisation within their work-related and personal circles. The COS study found that by providing outplacement services, the company's internal and external image was improved by 78 percent.

One of the reasons for this positive reaction from employees is that outplacement counselling provides balance by helping people to see redundancy as a business decision rather than a reflection of personal worth or contribution.

A third benefit is that outplacement enhances retention, productivity and morale among remaining employees. When surviving employees learn that a terminated employee has been treated fairly, they are more likely to stay put. And in our current tight labour market, prospective employees are also favourably impressed if their research into a company shows it has a reputation for fair and consistent treatment of employees.

In the COR study, those companies using outplacement services found that both productivity and profitability increased in the 12 months following a downsizing.

It also found that unintended turnover, sick days and lateness stayed the same within the 12 months following the last downsizing.

When comparing the companies which used outplacement services with those which did not, productivity increases were twice as common and profit stability or improvement was 50 percent more likely.

Public perception and bad press can have a major impact on the value and profitability of a business. However, a well-managed change process using outplacement services can maintain or even strengthen employee, community and investor relations.

Use of outplacement services shows employees and the public that the company has a conscience. It makes a strong statement to surviving employees that they are valued and that money, time and effort are being spent to ensure their continued satisfaction on the job.

Finally, outplacement ensures that the stress and workload of line managers is reduced. When a company anticipates the need for redundancy, the human resource team is often consulted for direction and leadership in making these changes go as smoothly as possible. Yet even experienced senior-level human resource managers approach the task with some degree of apprehension. No one relishes being the source of bad news—it's uncomfortable, it's difficult and it can be traumatic.

Providing outplacement services can help smooth the transition

for employees who are released from employment and reduce the risks of mishandling such events that can harm companies.

The Center for Organizational Research study found 68 percent of those line managers charged with the responsibility of managing a change process reported a reduction in associated stress and workload when contracting the services of an outplacement provider.

Aside from the moral obligation that employers have to genuinely assist and support employees affected by redundancy, providing outplacement services has a positive impact on the bottom line and provides a significant return on investment. **et**

David Somerset is a consulting manager with CDL, specialists in career transition, retention and leadership services. For more information visit: www.cdldr.com



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