

# Severance & Separation Benefits

## Benchmark Study 2020 Eighth Edition

A U.S. Study providing benchmarks and insights to help organizations and HR teams make informed severance and separation decisions as part of their workforce strategy.

Our 2020 research reaffirms that severance is a fundamental building block in the relationship between employer and employee. It is both widely expected and widely provided.

The future of work is radically changing, responding to massive and unprecedented disruption across all industries, impacting people at all levels. As companies undergo significant transformation to remain relevant and successful in this new landscape, many find themselves at critical inflection points, trying to determine the best strategies to move forward. With constant and profound transformation disrupting today's workforce, it has never been more important for employers to offer severance and separation benefits that are competitive and support employees in a smooth career transition.

In the eighth edition of the Lee Hecht Harrison Severance & Separation Benefits Benchmark Study, we look at the reasons why severance is offered, how severance is typically calculated at various levels of employment, and what common severance and separation benefits, such

as outplacement and redeployment, are offered. In this edition, we also share profiles that show differences in benefits and practices across industry, company size, organization type and region.

Severance and separation benefits are a key element in a continuum that starts with talent acquisition and extends through to those impacted by termination. When delivered effectively, these benefits can reduce the risk of litigation, while maintaining a strong employer brand.

Our study provides the key benchmarks necessary to help you strategize, plan and implement your own organization's severance and separation programs so that you remain competitive in today's environment.

# Benchmark Study 2020

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# About our study

Severance continues to be an important part of the employer-employee relationship and a key building block in a people strategy that includes the development of an effective employer brand that attracts great talent. The objective of the 2020 Severance & Separation Benefits Benchmark Study—the product of a partnership between LHH and Compensation Resources, Inc.—is to help organizations and HR teams demonstrate they care about their employees while responding to continuous and dynamic change. The study provides meaningful metrics and insights that will help you design and administer your own severance and separation benefits and policies.

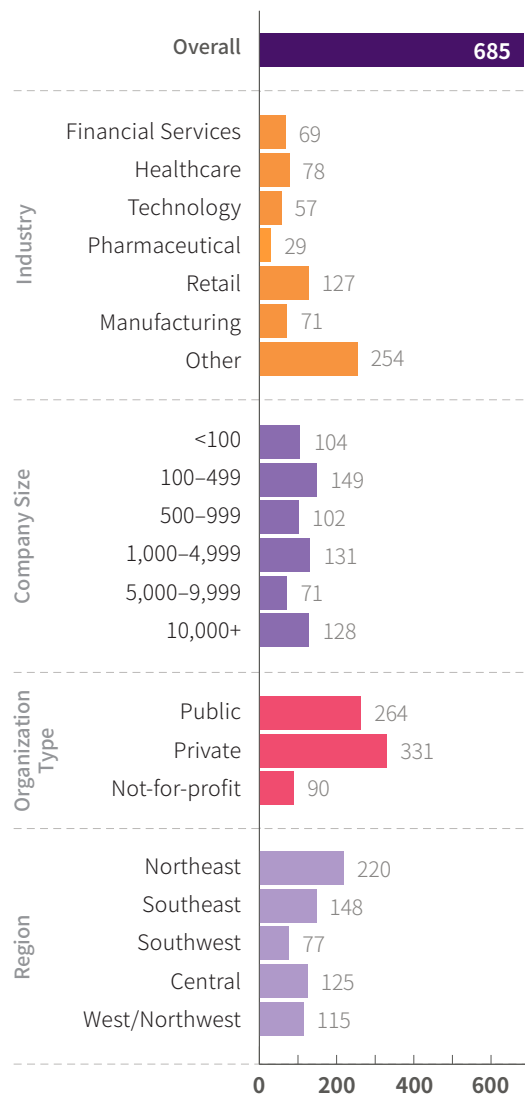
We surveyed 685 individuals in the United States, representing senior human resource executives and leaders who are responsible for helping their organizations manage talent. There was a cross section of more than 20 industries represented and organizations that ranged in size from fewer than 100 employees to more than 25,000 employees.

The main topics explored in this study include severance, outplacement, redeployment, stay bonuses and early retirement programs.

## How to Read This Data

All percentages were rounded up or down to the nearest whole number. Therefore, in some cases where respondents could choose only one answer, totals may not equal 100%. In other cases where respondents could select more than one answer per question, totals may be greater than 100%. Historical data comparisons are shown throughout this report where applicable.

## Respondents by Category



# Key findings

A fair, comprehensive and competitive severance and separation package is a key element in ensuring you are treating employees with respect and protecting your employer brand, which in turn is essential to your ability to attract quality talent.

The 2020 pandemic has cast a spotlight on certain employment issues and workforce needs. Until this point, the US was experiencing the longest economic expansion in history, with low unemployment rates and strong growth. As businesses have been forced to close, jobs cut, and governments requiring employees to stay home, what we do, how we do it and where is being completely re-imagined.

As companies respond to dynamic forces in play, we expect many will be putting more formal severance and separation policies and practices in place. A formal policy helps to reduce unnecessary risk and protect an organization. Informal or unwritten policies are often viewed as more flexible but can leave an employer vulnerable every time an exit needs to be negotiated. However, severance practices vary widely so transparent communication is critical.

As we start to take positive steps towards reopening the economy, employers find themselves asking questions and needing to make very important decisions regarding severance and separation practices:

- 1** Can we resume normal operations? If so, do we have the right people to achieve optimal operations?
- 2** What do we communicate to employees regarding our company's future?
- 3** What plans do we have to reinstate any reductions in salaries and benefits?
- 4** Can we still implement our current compensation plans?
- 5** What strategies can we use to retain employees during the reopening and recovery periods?
- 6** Will we need to restructure our workforce, and if so, how can we do that in a way that's fair and equitable?

The results of our latest severance and separation practices benchmark study shed light on many of these questions. What we have learned:

- **Over two-thirds of respondents have reviewed their severance policies within the past 2 years**, so it is reasonable to ascertain that similar timetables apply for other compensation and benefits programs.
- **Thirty-one percent of respondents overall reported that severance is not defined in employment agreements for all employees.** Technology companies were more likely to have severance defined in employment agreements for all employees (39%), while Healthcare companies are the least likely to have severance defined in employment agreements for all employees.
- **Severance plans are well-documented among survey respondents who offer it.** Over 80% of respondents indicated some form of written material is available regarding their severance plans. Documentation of other rewards programs is also expected. Small companies are less likely to have written documentation (30%) vs. seven percent for largest companies. Manufacturing companies are less likely to have written documentation (23%) vs. technology companies where just 5% don't.
- **Respondents use various resources for communicating compensation policies and procedures**, including an employee handbook, company website, managers/supervisors, and company meetings. This provides an opportunity to reach employees through various communication channels.
- **More than one-third of respondents report increasing severance benefits.** Forty-five percent of respondents report no changes. Technology companies were more likely to report that their policy has become more generous (58%), while Healthcare was more likely to report their policy has become less generous (31%).
- **Most companies use a standardized formula to calculate how much an employee will receive for severance.** More than half of respondents factor in “years of service” and/or “position level” to calculate severance benefits. Forty-four percent apply a flat number of weeks to their severance calculation. Only six percent of respondents apply the same flat number of weeks across all position levels. Far fewer organizations are implementing maximum severance amounts, while fewer continue to implement minimum severance amounts.
- **There is a lot of variability in whether companies use set formulas to calculate severance.** The largest companies almost always have a set formula (91%) while 24% of small companies have no formula. Nearly one-fifth of companies within Healthcare have no set formula, while only four percent of Financial services firms report they have no formula.
- **Research supports the need for increased transparency in communication.** Companies are rethinking their current incentive plan structures and key performance indicators. Having a solid process for communication, and being honest in what you share with employees, will enhance trust and continue to lead to enhanced employee engagement.
- **Employees are shouldering more costs to continue medical benefits.** Companies report they are more likely to continue medical coverage for terminated employees who were enrolled prior to termination (57%) than they were in 2017 (52%). But, fewer companies are offering to share the expense of medical coverage as more companies require employees to shoulder the cost on their own.
- **Core motivations for offering outplacement programs remain unchanged from previous surveys.** More than three-quarters of respondent companies report that they provide outplacement because it is their responsibility to take care of their workforce. A nearly equal number report that helping impacted employees achieve career goals and maintain a strong employer brand are their main reasons for providing outplacement services.



- **Companies want outplacement programs that include leading technology and personalized support.**

When designing a successful outplacement program, companies rate tools that help individuals market themselves in a job search as most important, including resume writing, job leads, technology resources, connections to hiring managers and personalized coaching.

- **VP-level and above employees more likely to receive comprehensive outplacement support.**

Fifty-seven percent of respondents typically offer senior management (C-suite leaders other than CEO) comprehensive outplacement support that includes 1-on-1 coaching and technology tools. Financial services, Pharmaceutical and Manufacturing companies are more likely to offer comprehensive support at this level.

- **Managing Director, SVP, and VP-level employees are more likely to be offered six-month outplacement programs.**

This is even more pronounced in Pharmaceutical and Healthcare companies. Retail companies are more likely to offer three-month programs to this level of employee.

- **Only four percent of respondents report that procurement leads the decision-making process when selecting an outplacement provider.**

Thirty-five percent say their CEO leads decision making, and 35% say it's their CHRO or another HR leader.

- **Sixty-five percent of respondents offer some form of upskilling/reskilling to facilitate redeploying employees before implementing layoffs.**

However, most fail to fully execute this strategy, and 35% did not compare costs of terminating employees to the benefits of upskilling/reskilling talent to deploy in new roles within the company.

- **More companies recognize importance of preparing employees for career transition before separation occurs.**

Fifty-nine percent of companies report that preparing employees for the next stage of their career is important/somewhat important. Only 10% say it's not important.

- **The changing nature of work is forcing companies to rethink recruiting and hiring practices.**

Sixty-four percent of respondents report they plan to improve their recruitment and selection process to help find the skilled talent they need to drive business objectives.

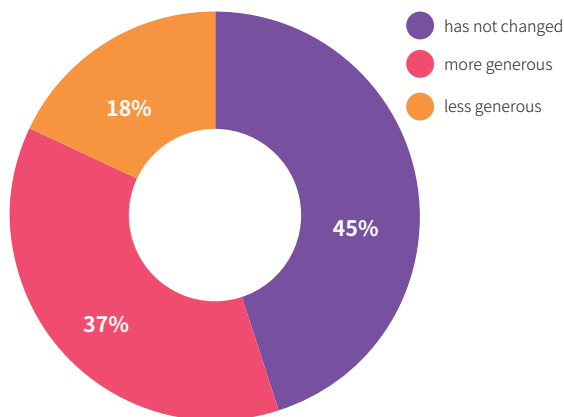




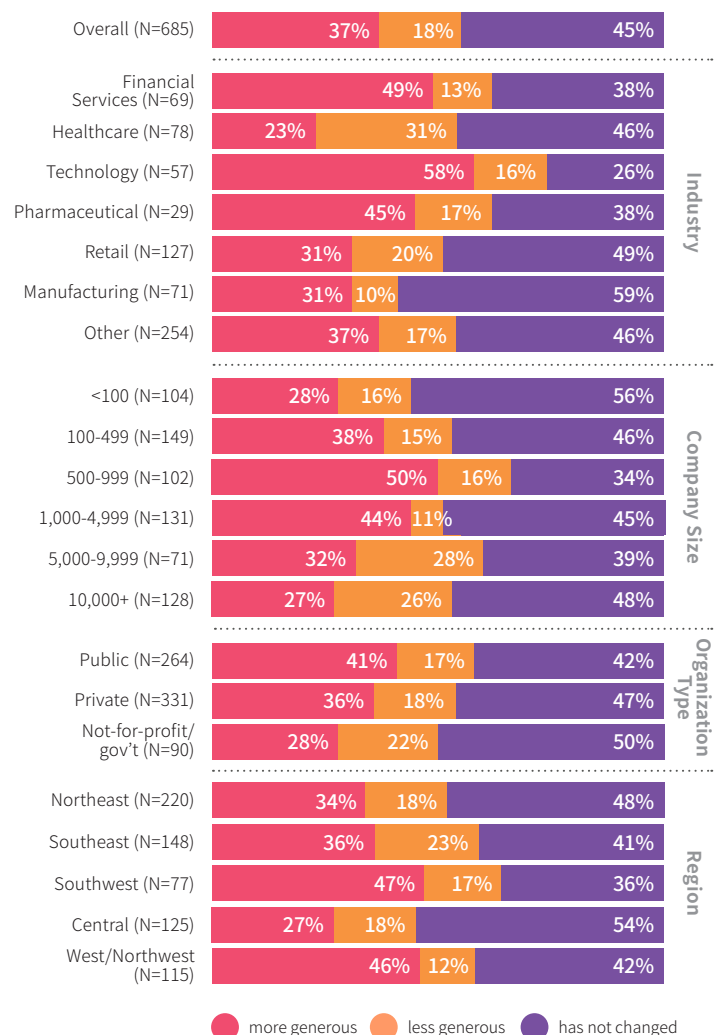
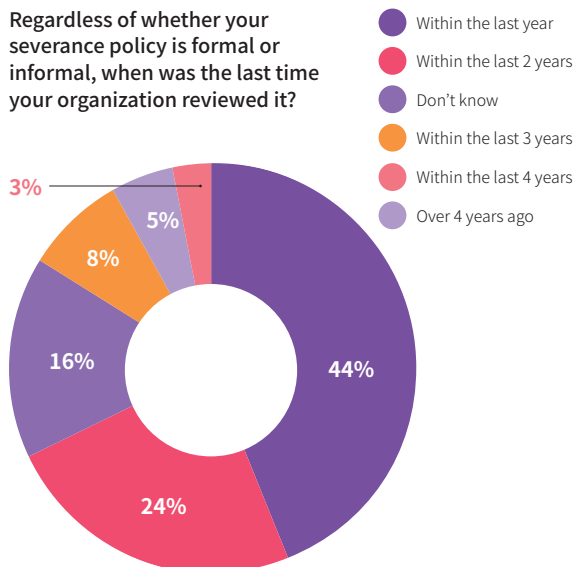


# Severance policies & practices

How has your organization's severance policy changed in the last three years?

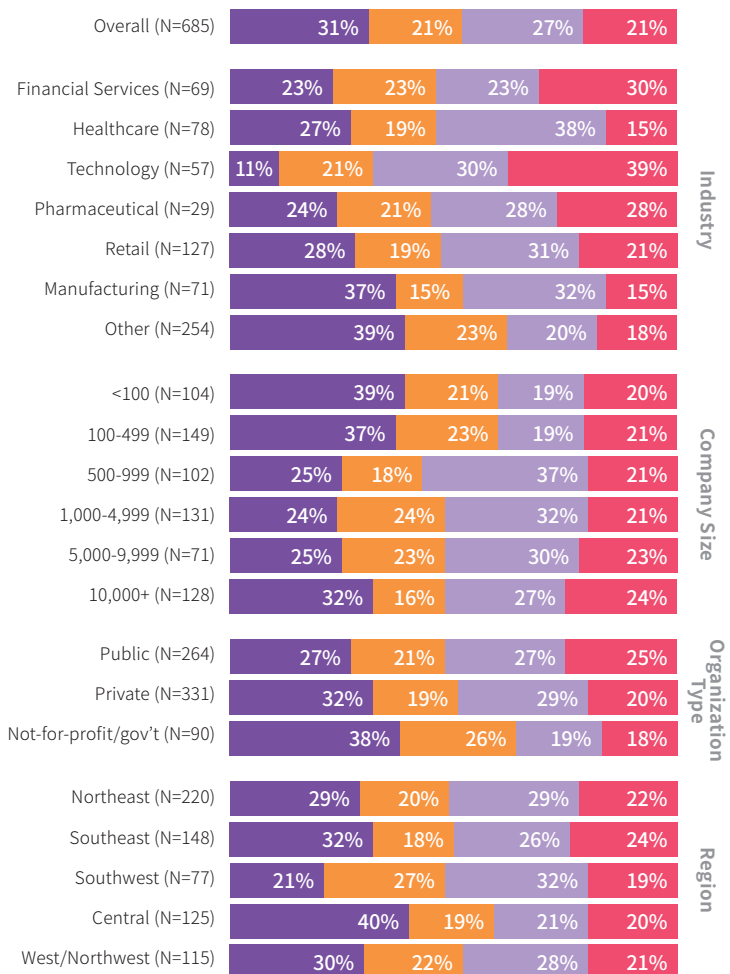
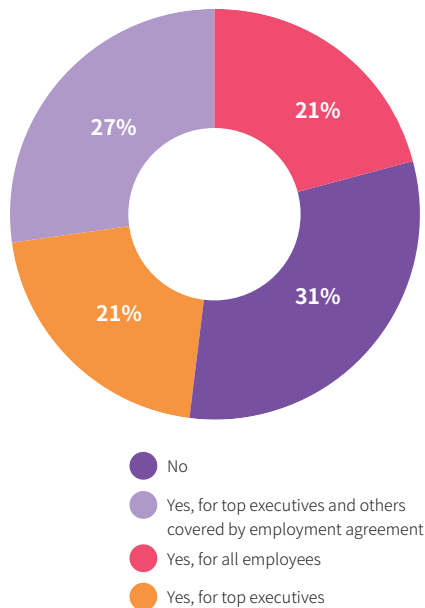


Regardless of whether your severance policy is formal or informal, when was the last time your organization reviewed it?

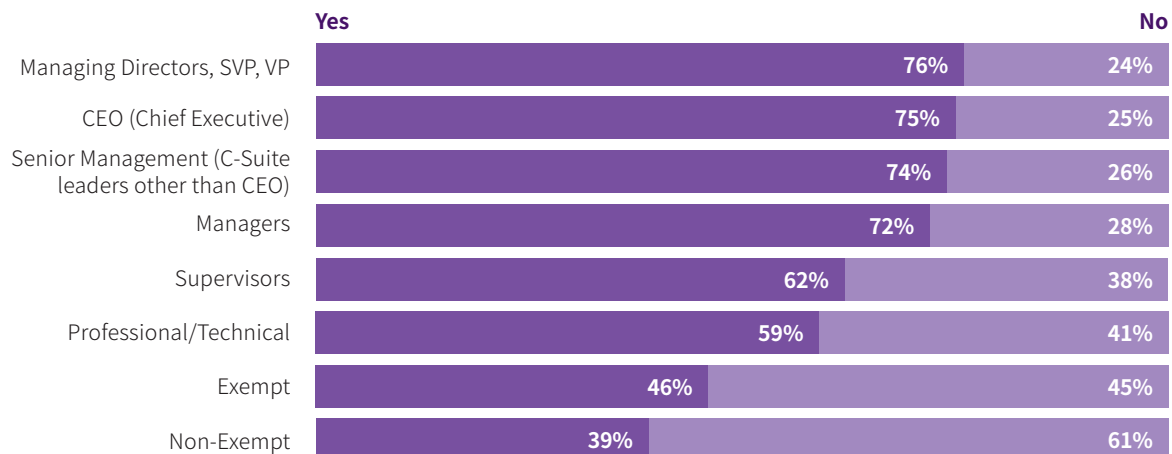


## SETTING & COMMUNICATING POLICY

Is severance defined in your employment agreements?



Does your organization have a formal severance policy, by position level?



## SETTING & COMMUNICATING POLICY



Over 80% of respondents indicated some form of written material is available regarding their severance plans.

Does your organization have a formal severance policy?  
Please indicate by employee group below.

Position Level (Employee Group)	2020	2017
CEO (Chief Executive)	75%	53%
Senior Management (C-suite other than CEO)	74%	57%
Managing Directors, SVP, VP	76%	54%
Managers	72%	56%
Supervisors	62%	55%
Professional/Technical	50%	55%
Exempt	46%	55%
Non-Exempt	30%	53%

How is your severance plan documented?

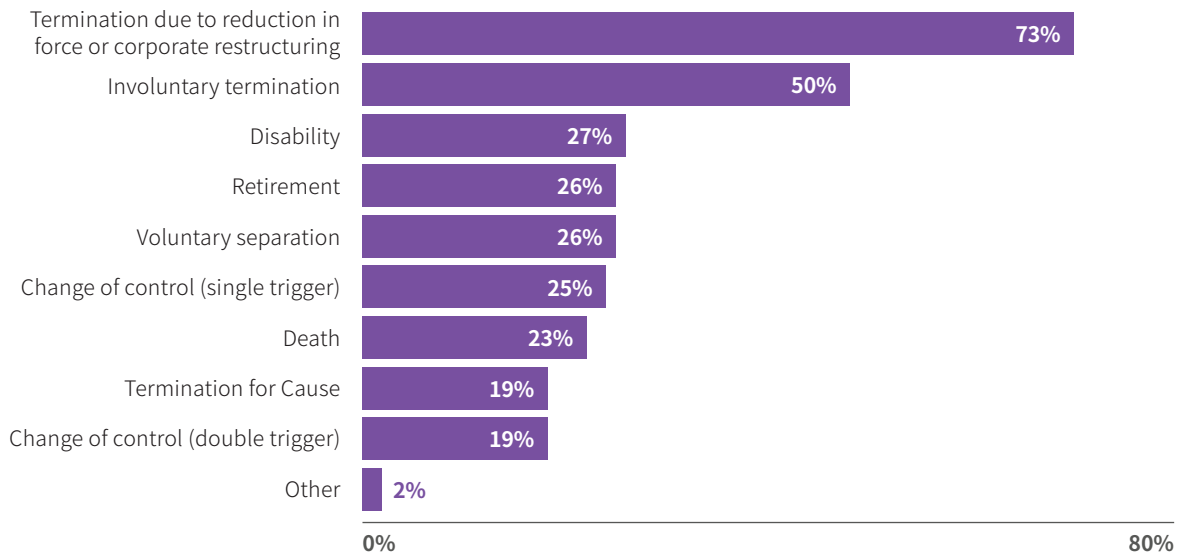
Documentation	2020	2017
Written plan document	51%	36%
General written guidelines	31%	28%
No written documents	16%	30%
Other (Most common response: informal verbal communication)	2%	6%

How is your severance policy communicated to employees?

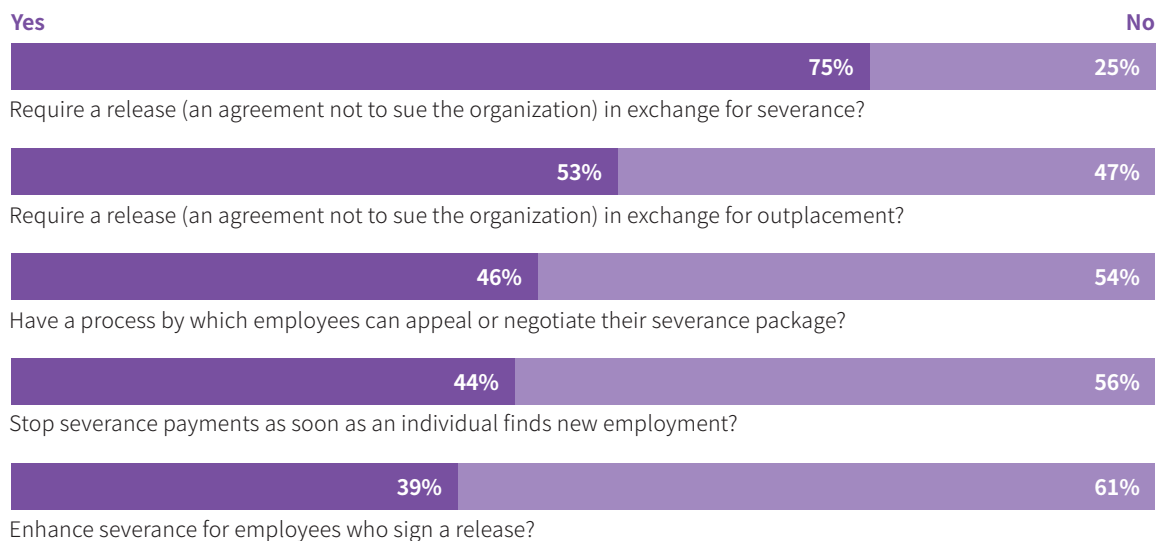
Communication method	2020	2017
Employee handbook	47%	21%
Online resource	31%	20%
Supervisor/Manager	29%	18%
Not communicated	26%	15%
Company meeting	25%	6%
Outside consultant	8%	1%
Other	1%	25%

## SETTING & COMMUNICATING POLICY

Under which circumstance(s) does your company provide severance to employees?



Does your policy:



## ELIGIBILITY & REQUIREMENTS

Who is eligible for severance?

Yes	No
Managing Directors, SVP, VP	92% 8%
Senior Management (C-Suite leaders other than CEO)	91% 9%
CEO (Chief Executive)	88% 12%
Managers	85% 15%
Supervisors	76% 24%
Professional/Technical	72% 28%
Exempt	60% 40%
Non-Exempt	52% 48%

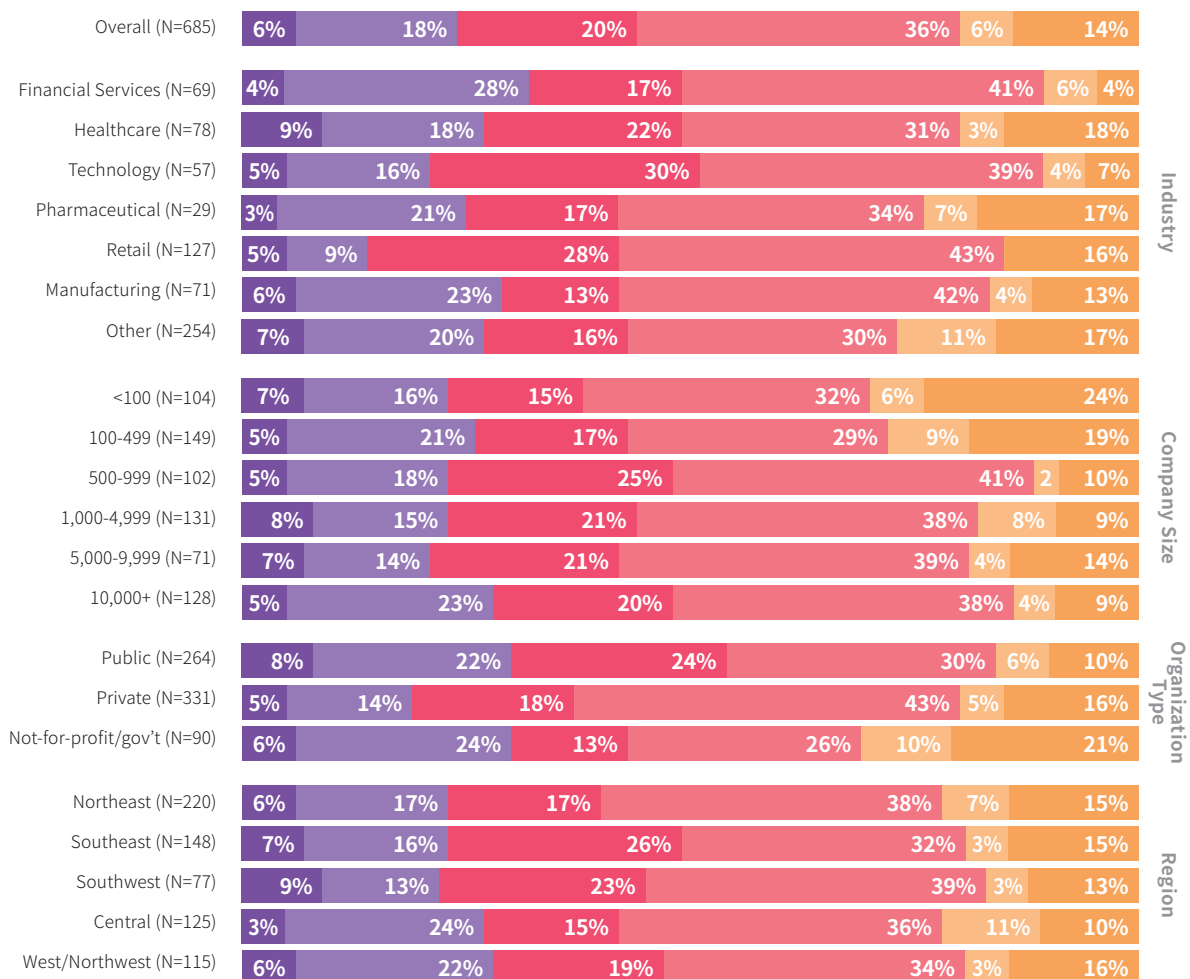
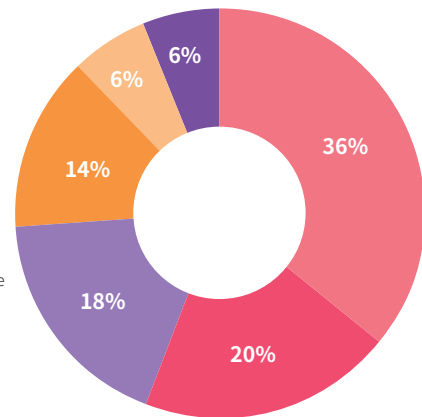
When do employees become eligible for severance?

Immediately upon hire date		One year from hire date		Other
CEO (Chief Executive)	56%	32%	12%	
Senior Management (C-Suite leaders other than CEO)	49%	37%	14%	
Non-Exempt	45%	33%	22%	
Managing Directors, SVP, VP	44%	43%	14%	
Exempt	40%	39%	21%	
Managers	39%	45%	15%	
Professional/Technical	38%	44%	19%	
Supervisors	37%	48%	15%	

## CALCULATING SEVERANCE

What formula is used in determining severance?

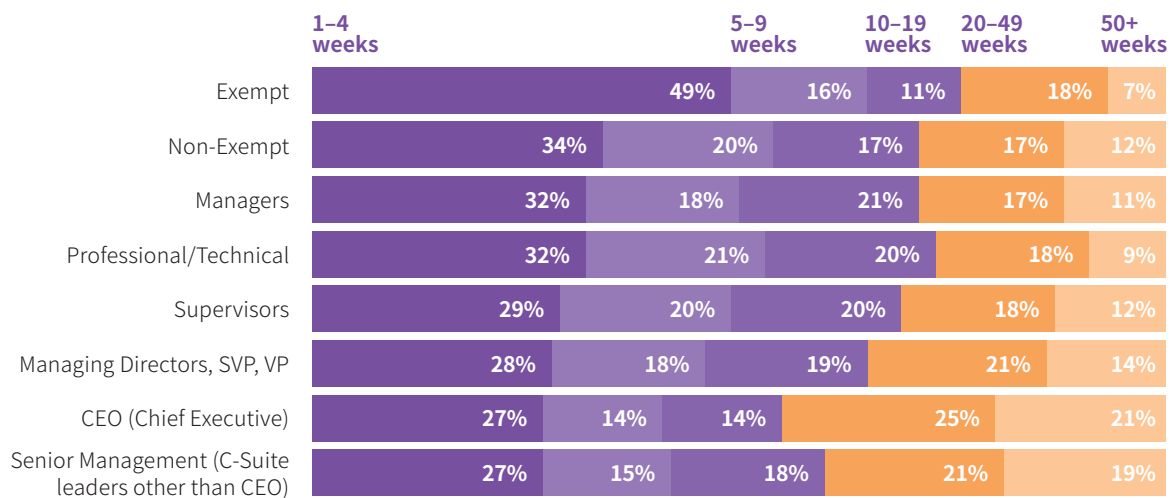
- Flat number of weeks for all employees
- Flat number of weeks per year of service for all employees
- Flat number of weeks by position level
- By position level and years of service
- Other set formula
- No set formula



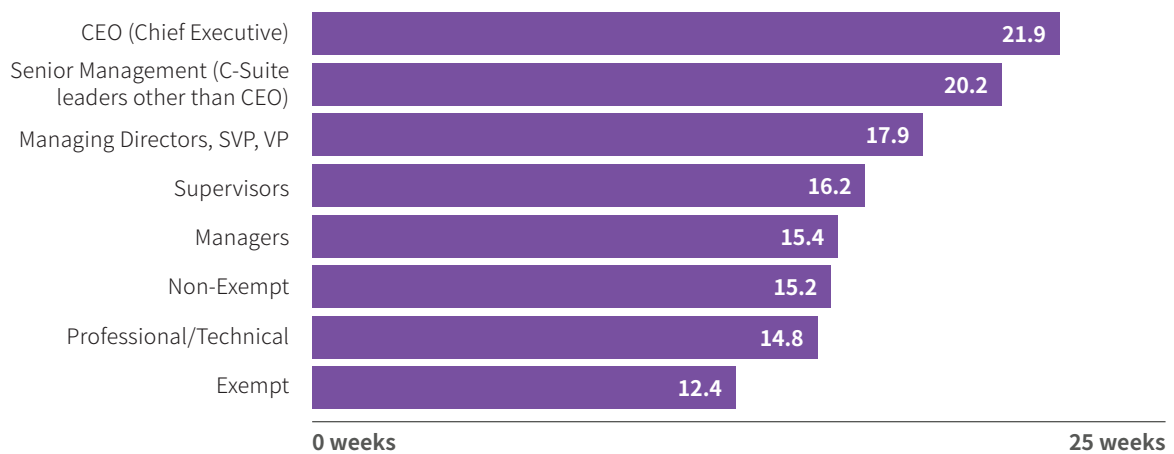


## CALCULATING SEVERANCE

Flat number of weeks of severance  
by position level



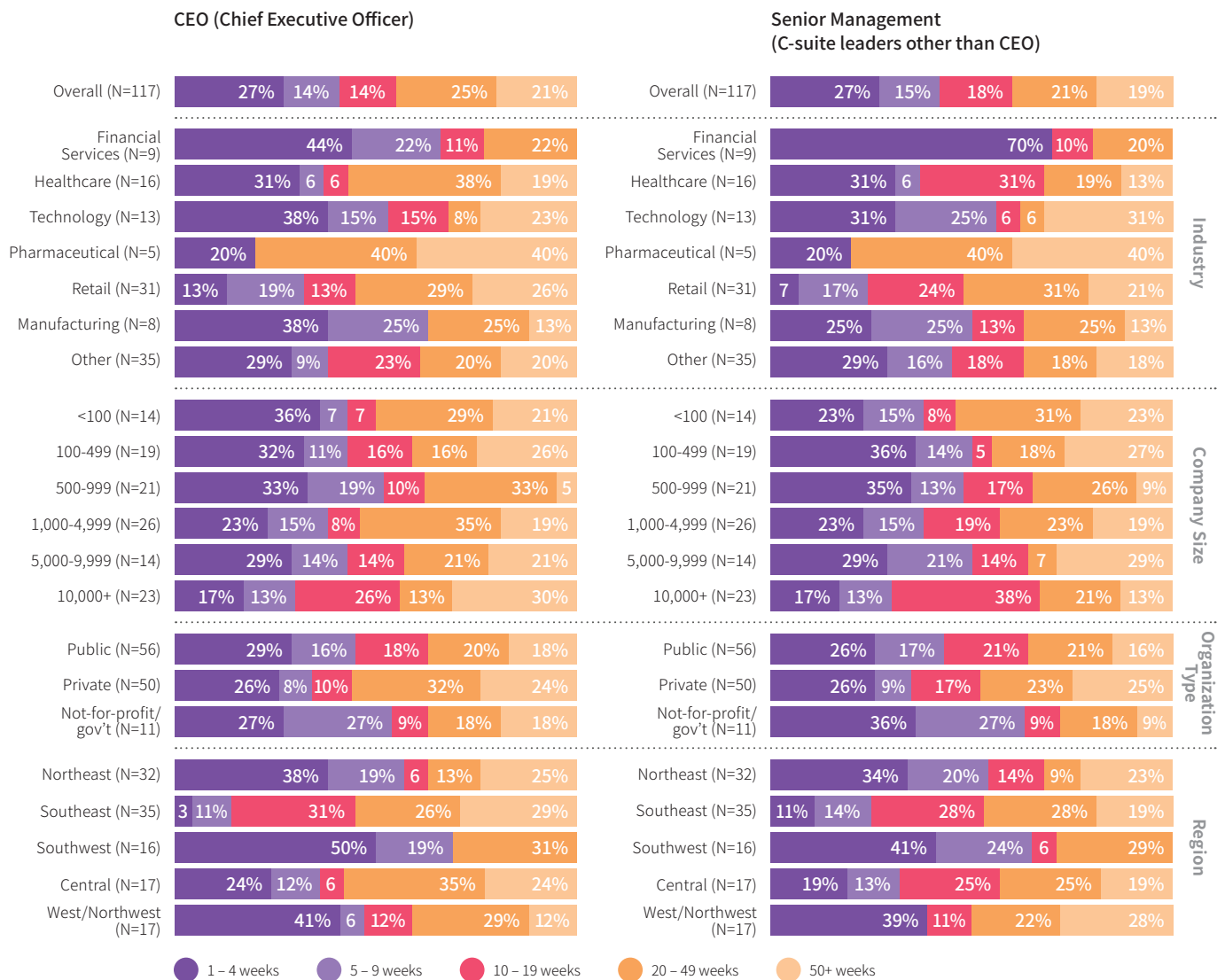
Average flat number of weeks of severance  
by position level



## CALCULATING SEVERANCE

### PROFILES

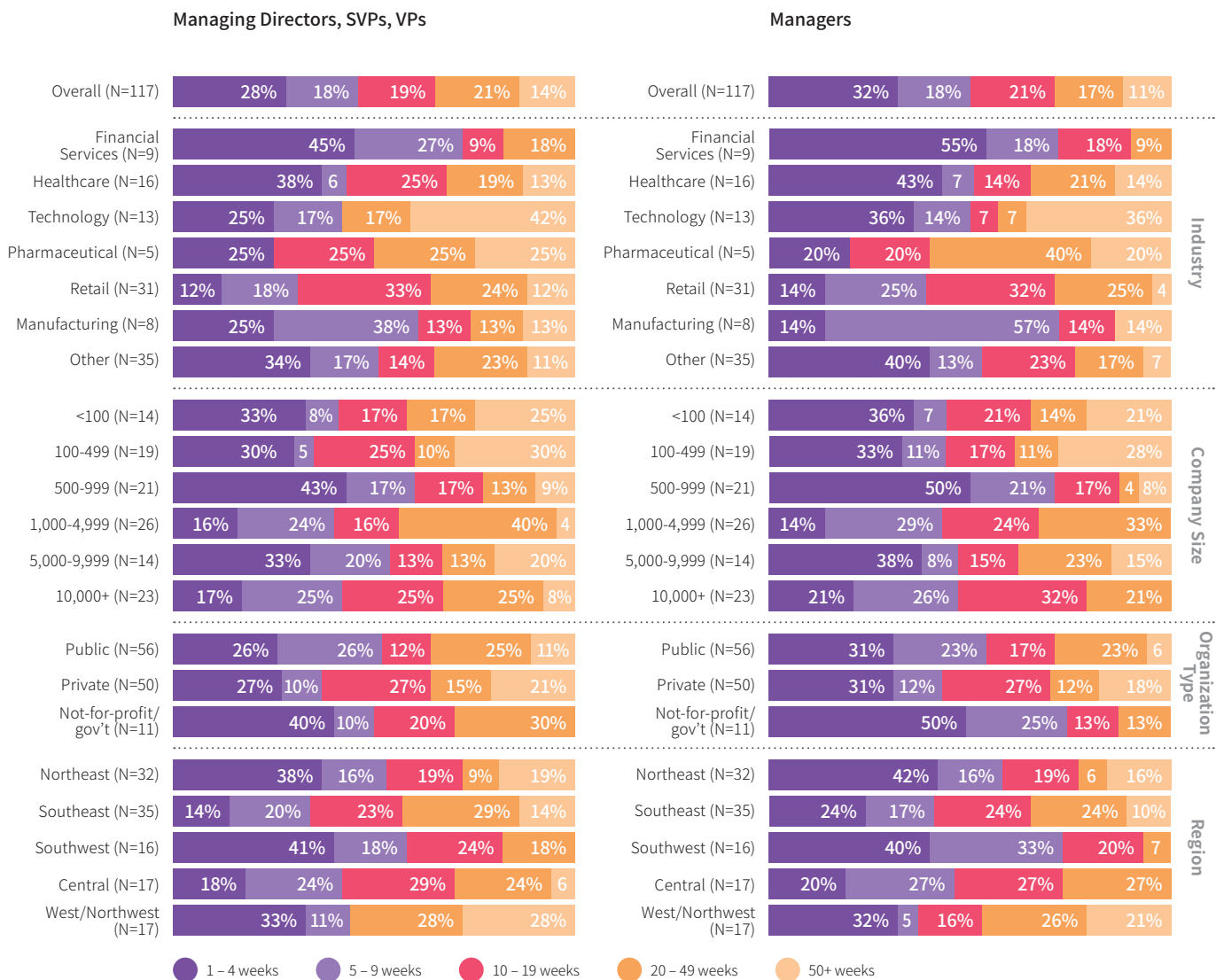
Flat number of weeks of severance by position level, industry, sector, company size and region



## CALCULATING SEVERANCE

### PROFILES

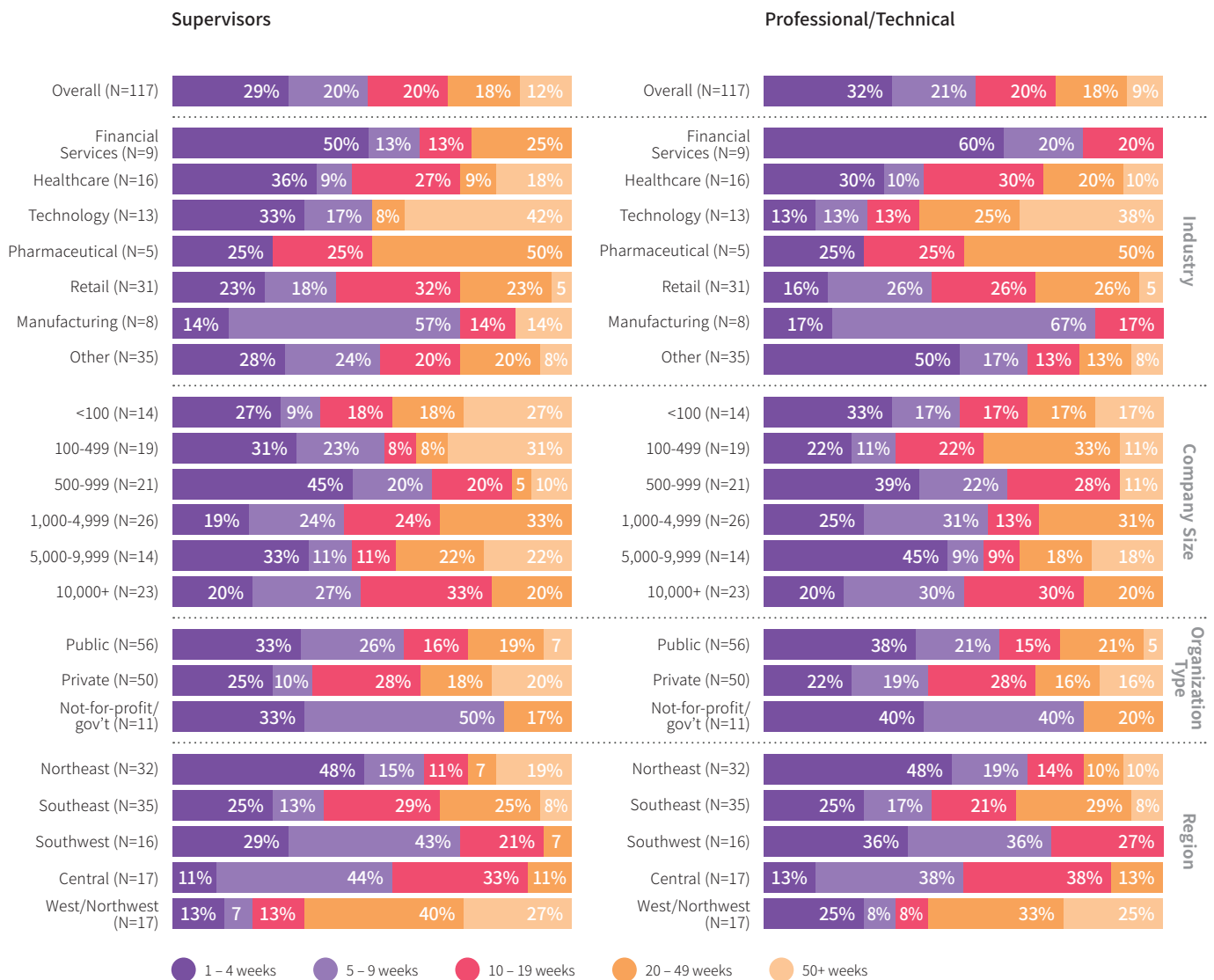
Flat number of weeks of severance by position level, industry, sector, company size and region



## CALCULATING SEVERANCE

### PROFILES

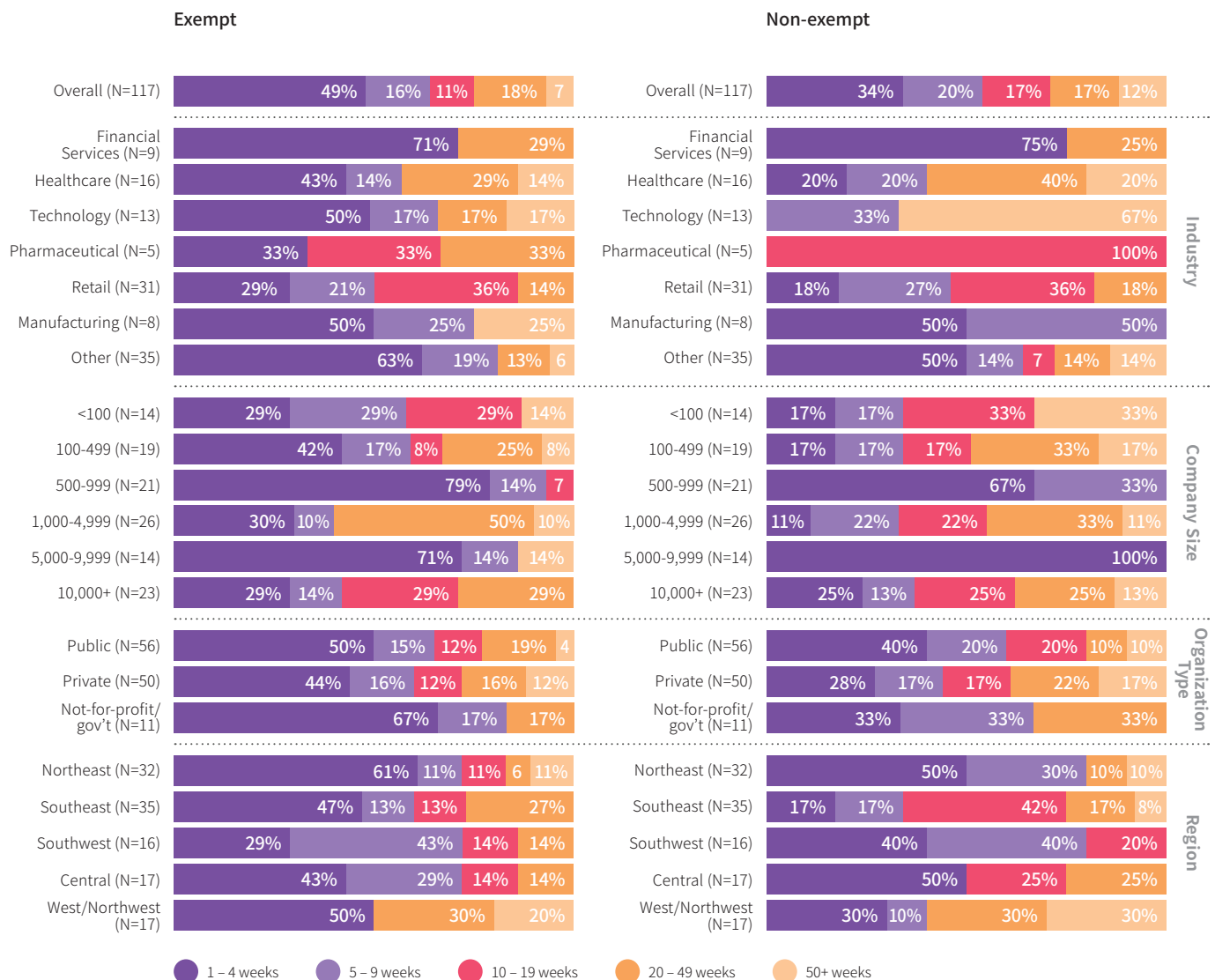
Flat number of weeks of severance by position level, industry, sector, company size and region



## CALCULATING SEVERANCE

### PROFILES

Flat number of weeks of severance by position level, industry, sector, company size and region

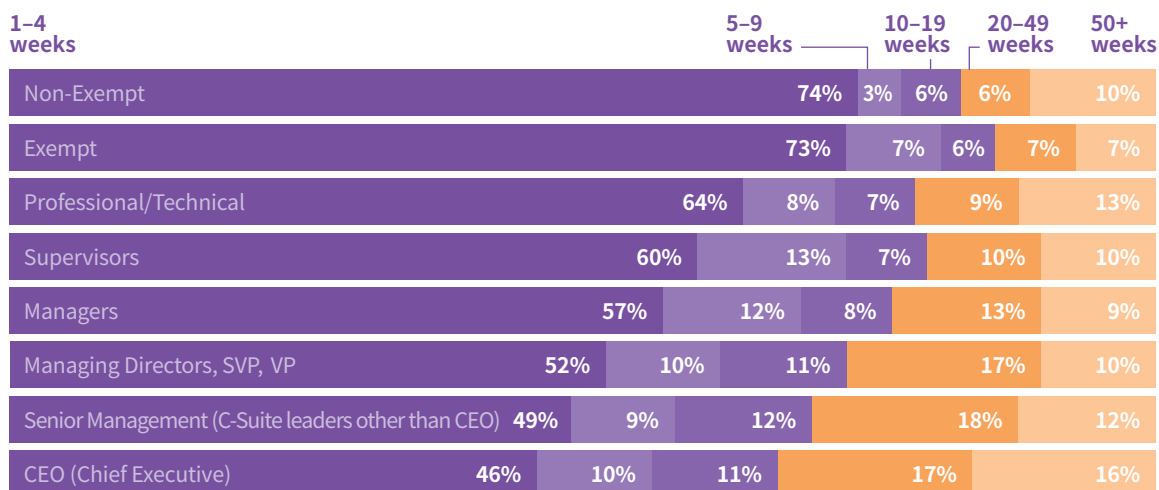




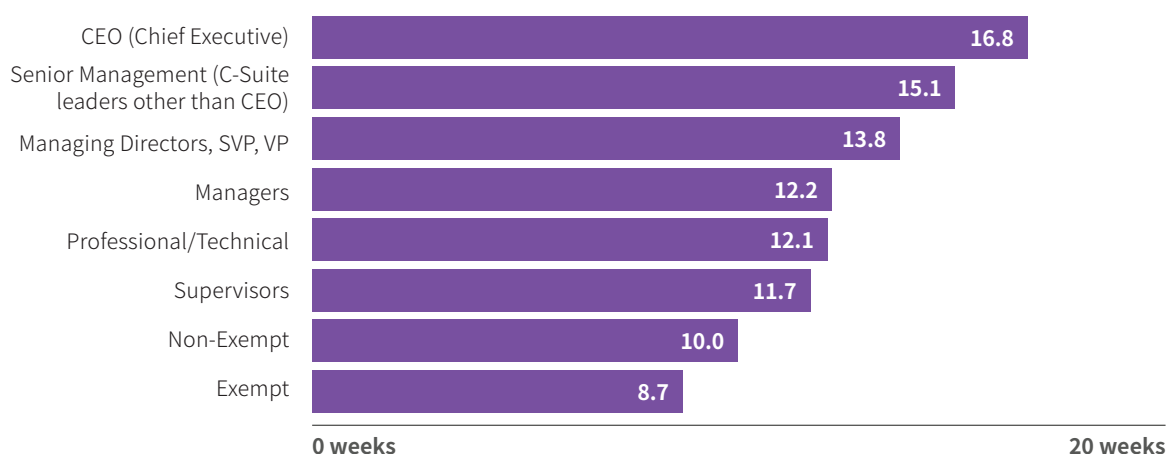


## CALCULATING SEVERANCE

Number of weeks of severance by position level, per year of service.



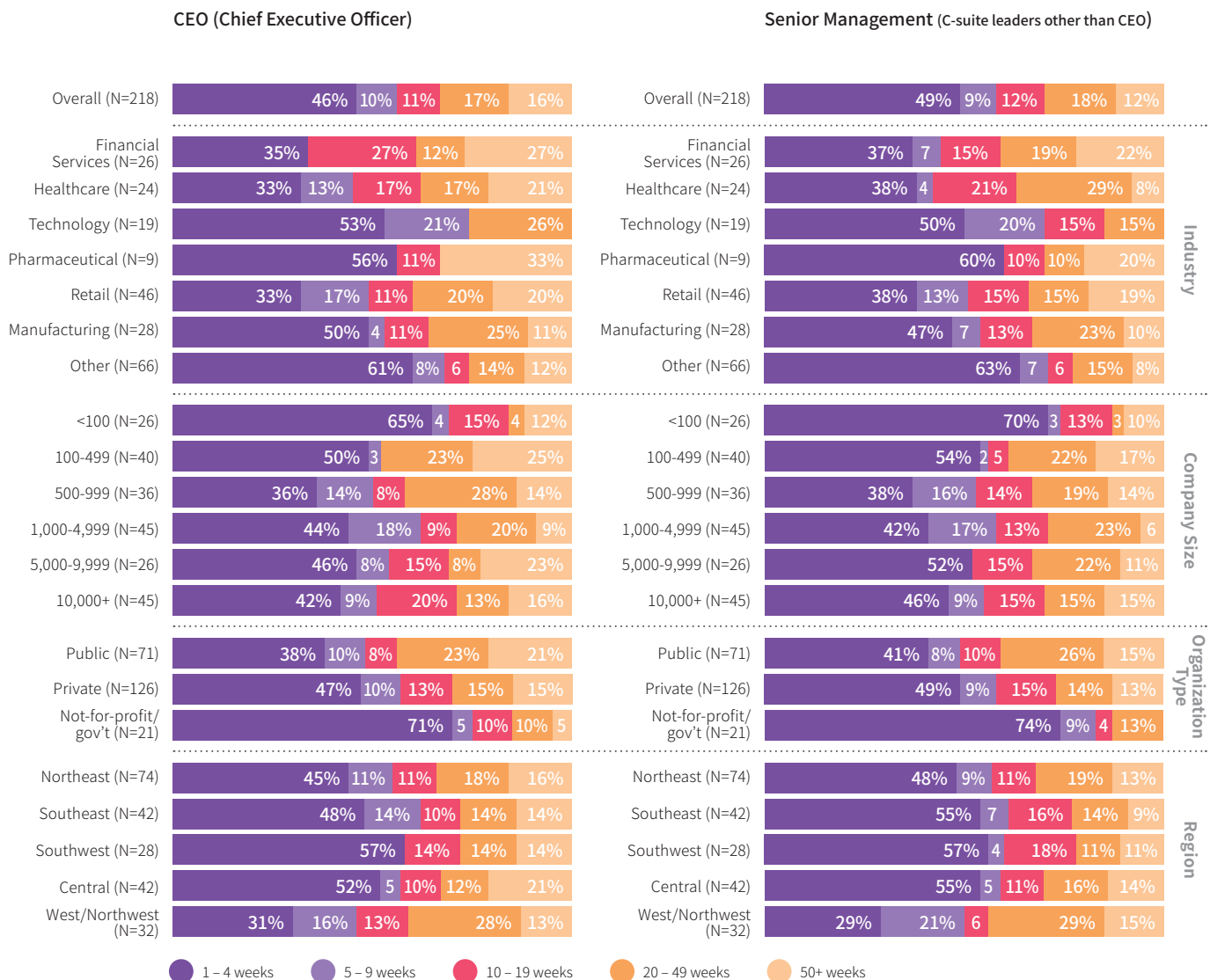
Average number of weeks of severance by position level, per year of service.



## CALCULATING SEVERANCE

### PROFILES

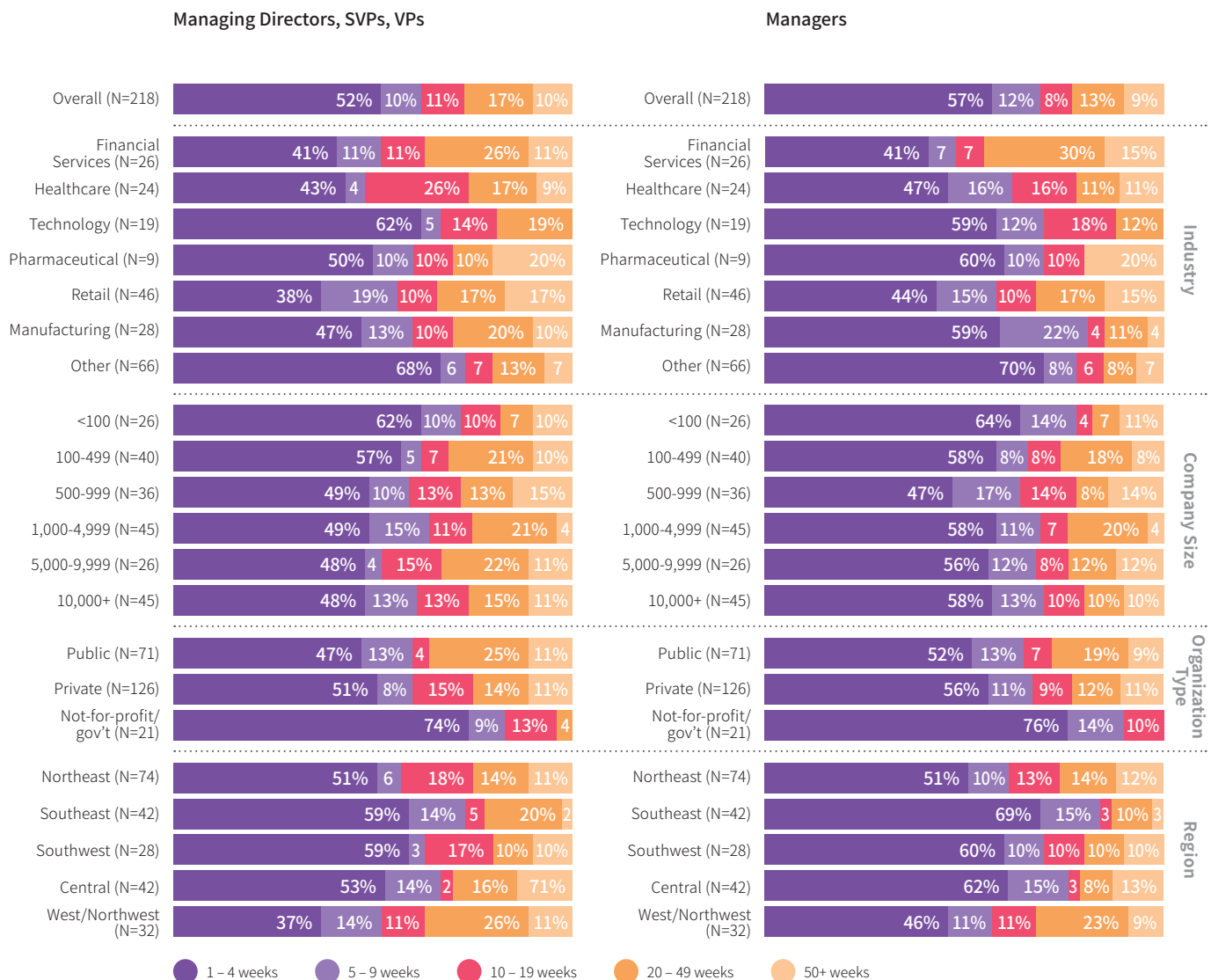
Number of weeks of severance by position level, per year of service, by industry, size, sector and region



## CALCULATING SEVERANCE

### PROFILES

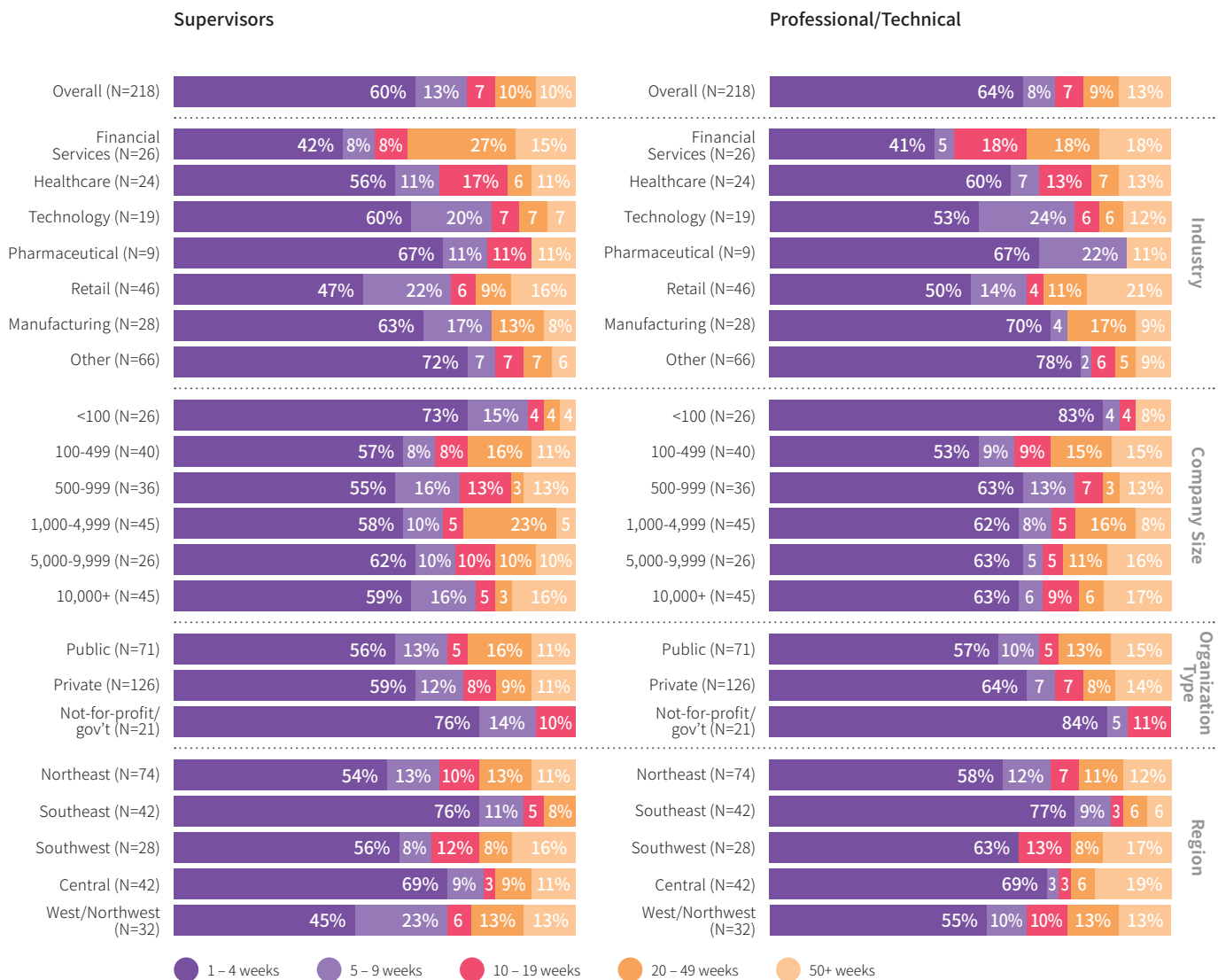
Number of weeks of severance by position level, per year of service, by industry, size, sector and region



## CALCULATING SEVERANCE

### PROFILES

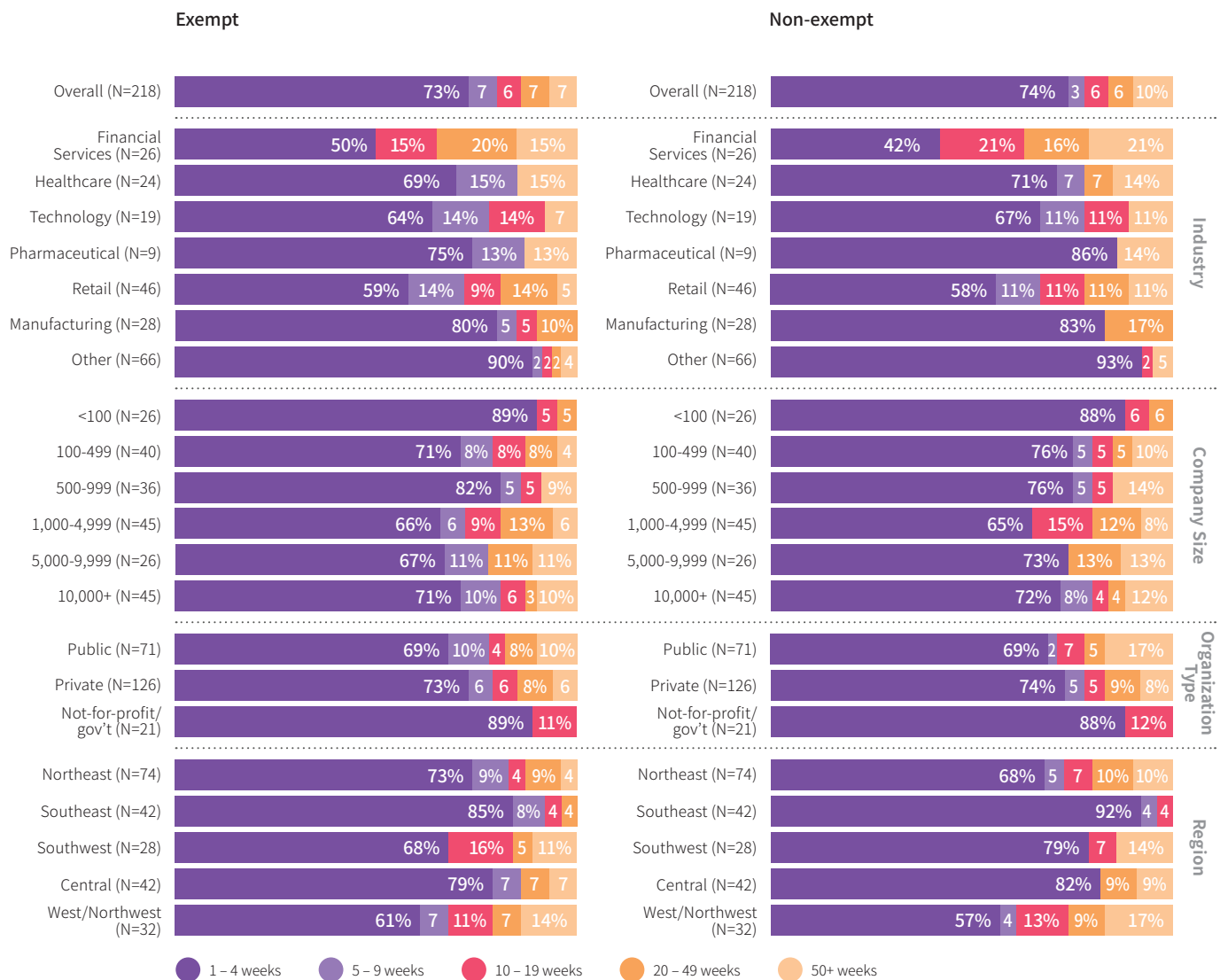
Number of weeks of severance by position level, per year of service, by industry, size, sector and region



## CALCULATING SEVERANCE

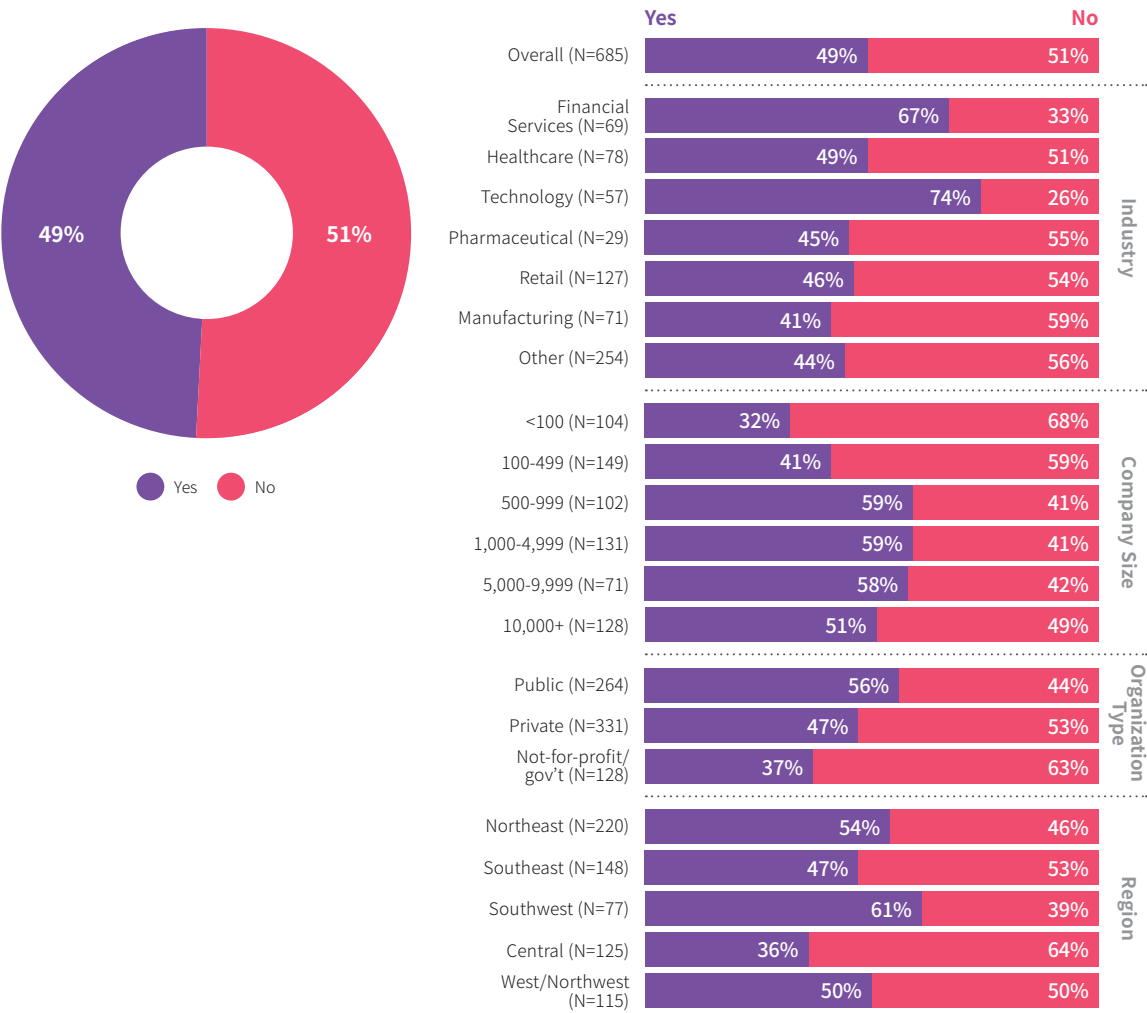
### PROFILES

Number of weeks of severance by position level, per year of service, by industry, size, sector and region



CALCULATING SEVERANCE

Do you also use a graduated scale (i.e., the number of weeks of severance per year of service increases after individuals have met certain length of service thresholds, such as five or ten years)?



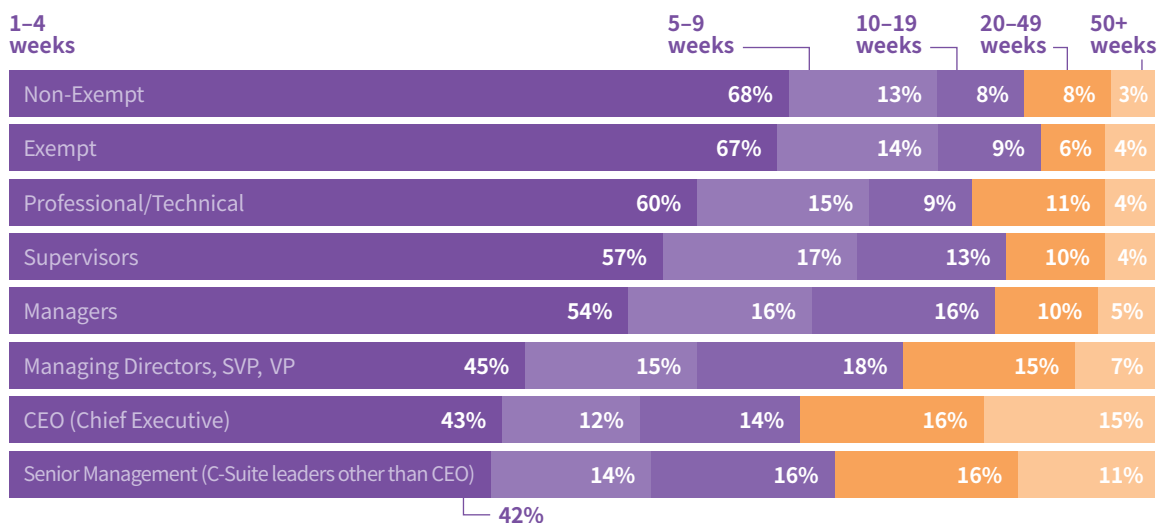


## CALCULATING SEVERANCE

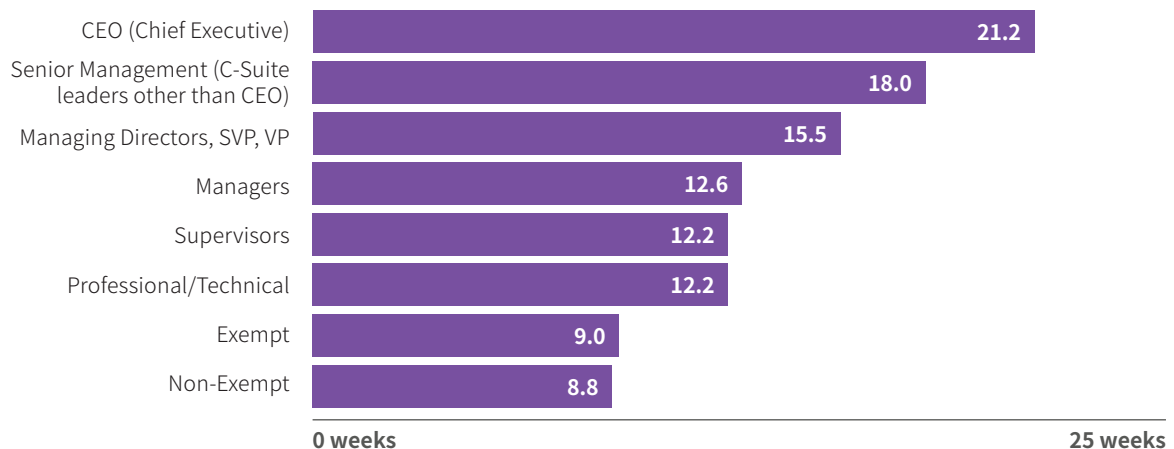
Does your policy have minimum and maximum severance amounts?

	2020		2017		2011	
Min/Max Policy	Yes	No	Yes	No	Yes	No
Minimum	56%	44%	52%	48%	74%	26%
Maximum	48%	42%	52%	48%	71%	29%

Amounts in weeks: “Minimum”  
by position level

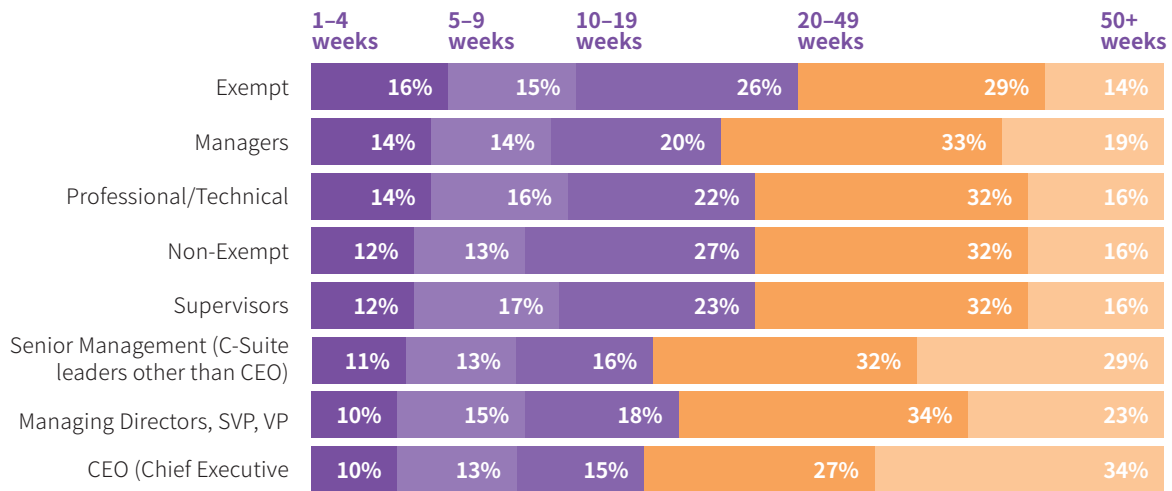


Average amounts in weeks: “Minimum”  
by position level

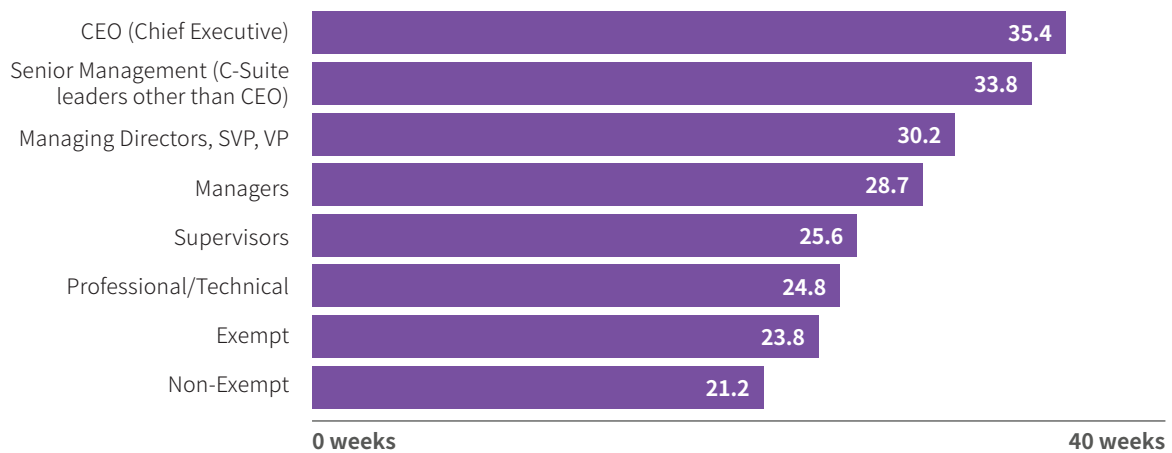


## CALCULATING SEVERANCE

Amounts in weeks: “Maximum”  
by position level

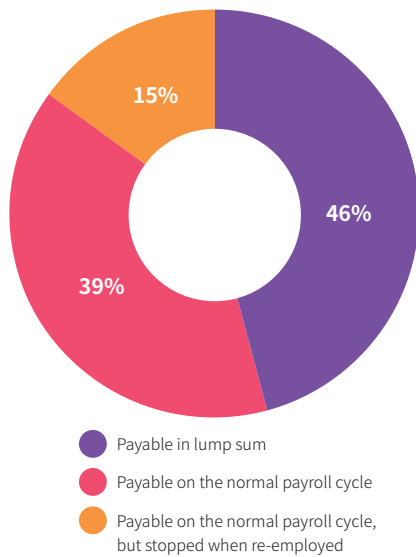


Average amounts in weeks: “Maximum”  
by position level



## CALCULATING SEVERANCE

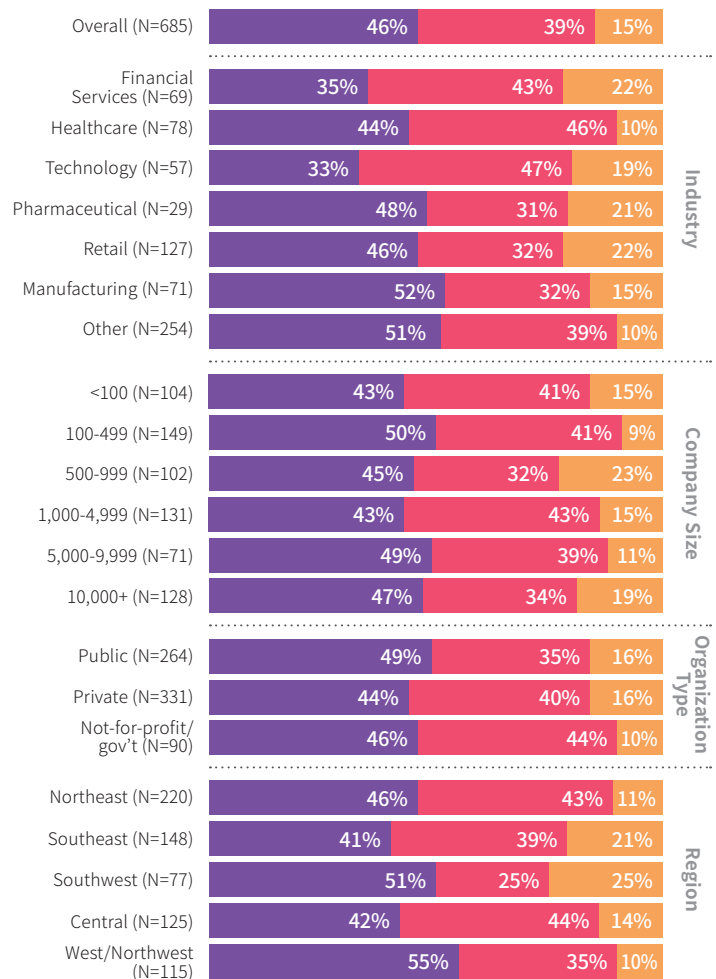
In general, how is severance payable?



### How is severance calculated for rehires?

More companies are putting policies in place regarding severance calculation for new hires, with more option to begin severance calculation using the new hire date.

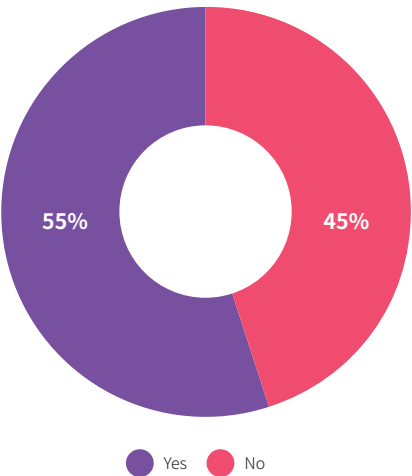
Severance Calculation	2020	2017
Starting from new hire date	41%	28%
Starting from original or adjusted hire date	30%	27%
No specific policy	28%	45%



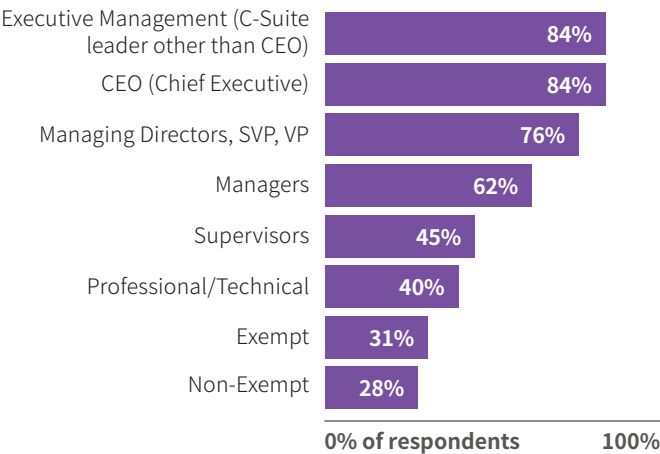
CHANGE-OF-CONTROL AGREEMENTS

Mergers and acquisitions present special challenges in the provision of severance and separation benefits. Our study shows 55% of companies make special provisions in the event that there is a change of control, vs. 27% in 2017. For those that do make special provisions, enhanced or more generous benefits are the most likely option. Generally, C-suite executives and senior managers are the employees most likely to see those additional benefits.

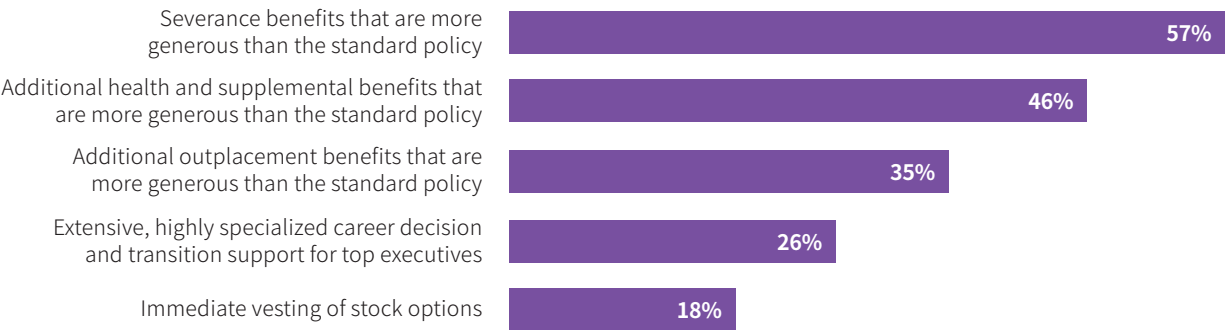
Does your organization make special provisions in the event of a merger/acquisition or change of control?



If so, who is eligible?



When your organization makes special provisions in the case of a merger/acquisition or change of control, does your policy specify:



## BENEFITS

Do terminated employees continue to be covered under the organization's medical benefits if enrolled prior to termination?

Medical Benefits Coverage	2020	2017
Yes	57%	52%
No	43%	48%

If so, for how long?

Medical Benefits Coverage Duration	2020	2017
For the duration of the severance period	55%	48%
Until the end of the month in which the termination became effective	25%	22%
From three to six months	0%	7%
Through the end of the quarter in which the termination became effective	9%	3%
Through the end of the year in which the termination became effective	4%	0%
Other	7%	20%

Who pays for the medical coverage?

Medical Coverage Payment	2020	2017
Employee	20%	5%
Employer	32%	30%
Shared Expense	48%	65%

Which of the following other employee benefits are paid for by your organization throughout the severance period? Check all that apply.

Other Benefits	2020	2017
Life insurance	36%	9%
Short-term disability	30%	6%
Long-term disability	25%	6%
Vacation accrual	22%	9%
Education/training reimbursement	17%	4%
Club memberships	9%	1%
Use of company car	12%	1%
Use of office	10%	2%
None	41%	79%
Other	5%	4%



# Separation benefits & practices

Personnel decisions are more personal than ever. And at a time when offering someone a career for life is no longer an option, employers are making sure they are demonstrating they care about their employees, especially when they need to make the difficult decision to let someone go.

A perfect storm has dramatically changed the world of work, and this change has created the need for organizations to reinvent and transform their business strategies and their workforces. Social, health and regulatory dynamics, demographic shifts, changing perceptions toward corporations, the fourth industrial revolution, the proliferation of new technologies and the things you just can't predict are driving massive disruption and threaten jobs. How do you transition employees out of the organization in a way that delivers new opportunities to your people and has positive social and community impact?

To reduce the impact of layoffs, organizations provide outplacement to protect employees during workforce change and help support them in their transition into the next phase of their

career. The best way to support employees is to give them the tools and resources they need to assess, explore and pursue the best career options for them.

Career transition presents a unique opportunity for individuals to level up their skills, whether they do so to pursue a different kind of job altogether, increase their earning power, or to simply stay current and competitive within their own area of expertise.

If trying to reduce the impact of an upcoming restructuring and hold on to skilled talent, companies also have an opportunity to build a renewable workforce through reskilling and upskilling, allowing for the quick deployment of talent into new roles within the organization.

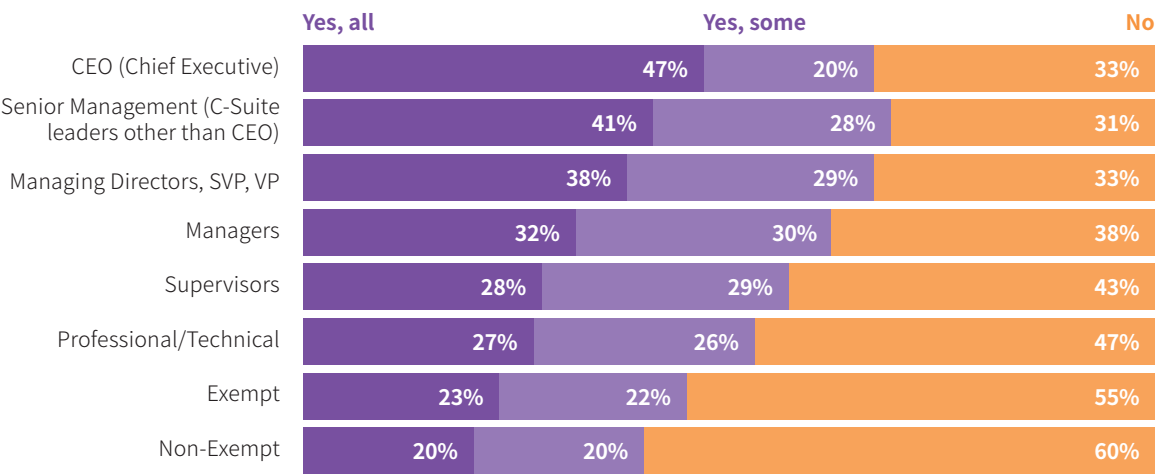
The right combination of career development, upskilling and reskilling, redeployment and career transition can create opportunities for your people, strengthen your employer brand and help future-proof your workforce.



The best way to support employees is to give them the tools and resources they need to assess, explore and pursue the best career options for them.

OUTPLACEMENT PACKAGES

Who do you provide outplacement to?

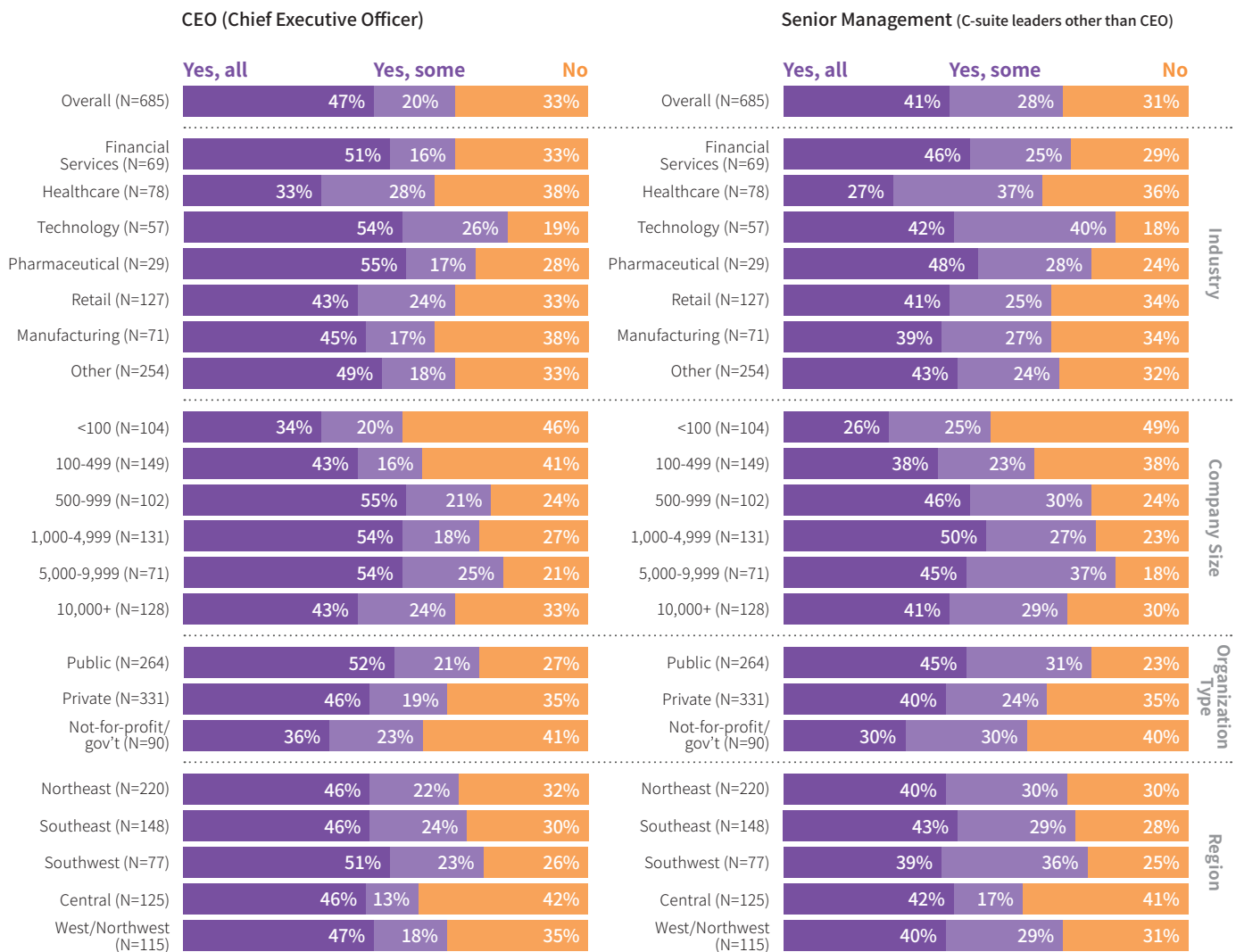




## OUTPLACEMENT PACKAGES

### PROFILES

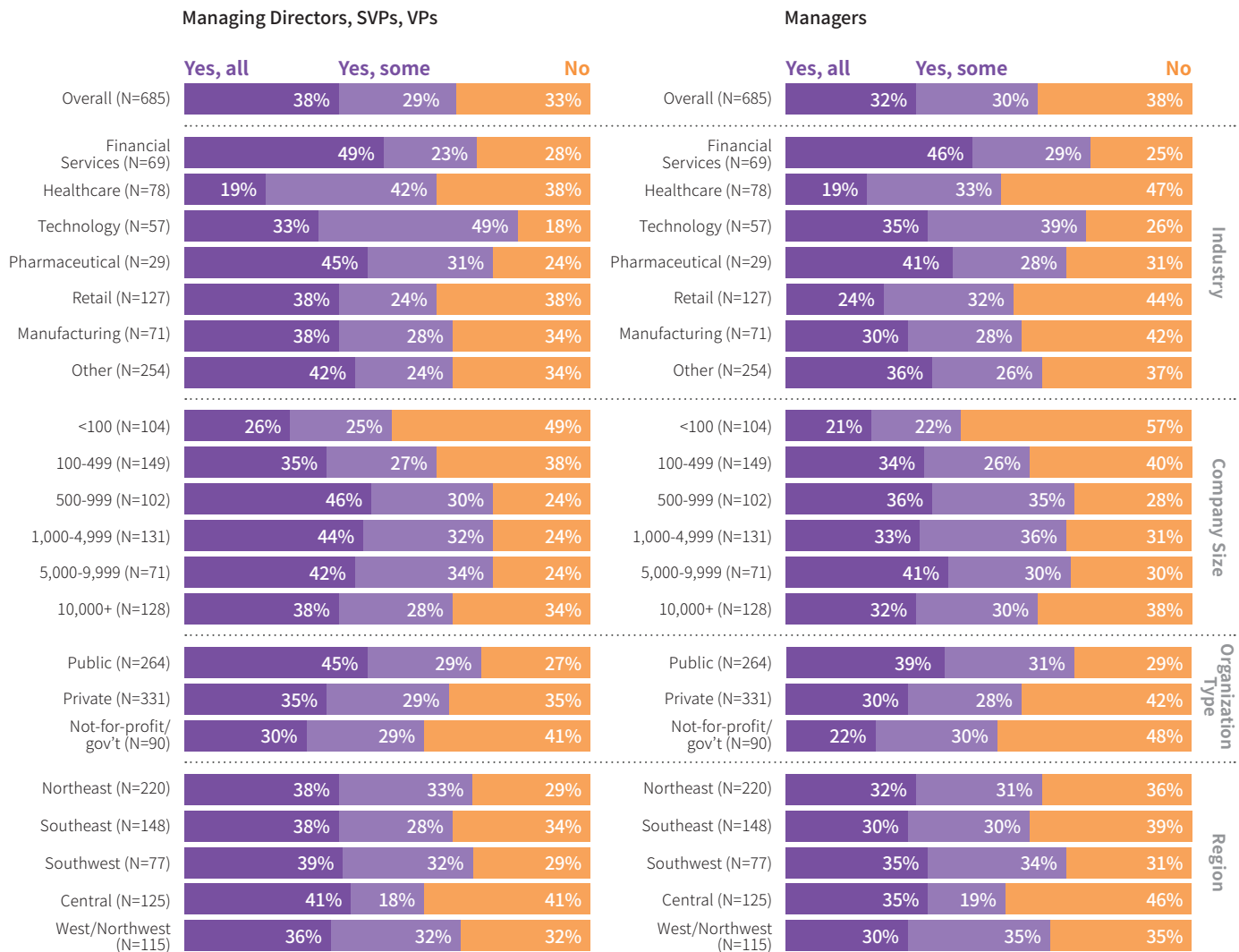
Packages by position level, by industry, size, sector and region



## OUTPLACEMENT PACKAGES

### PROFILES

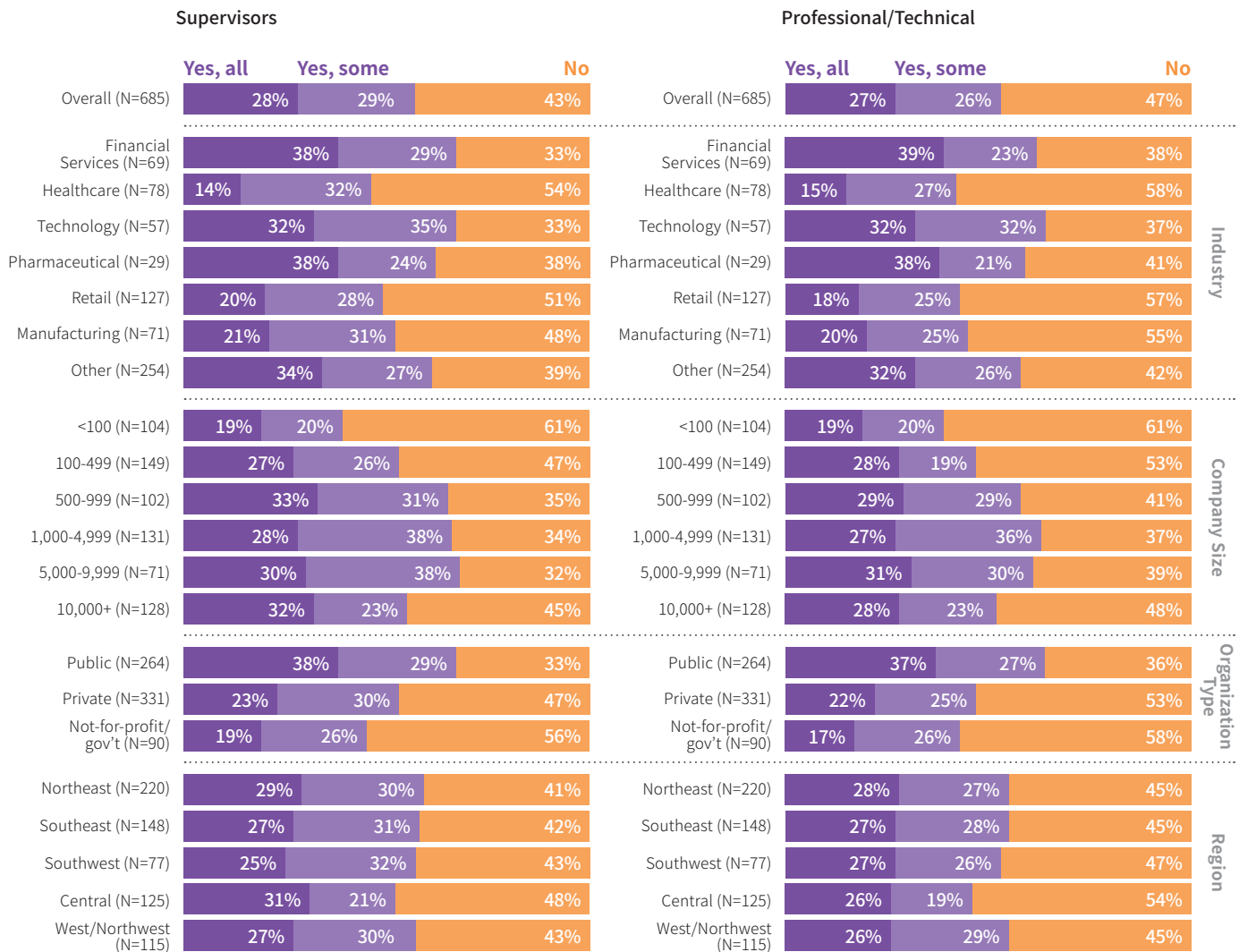
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## OUTPLACEMENT PACKAGES

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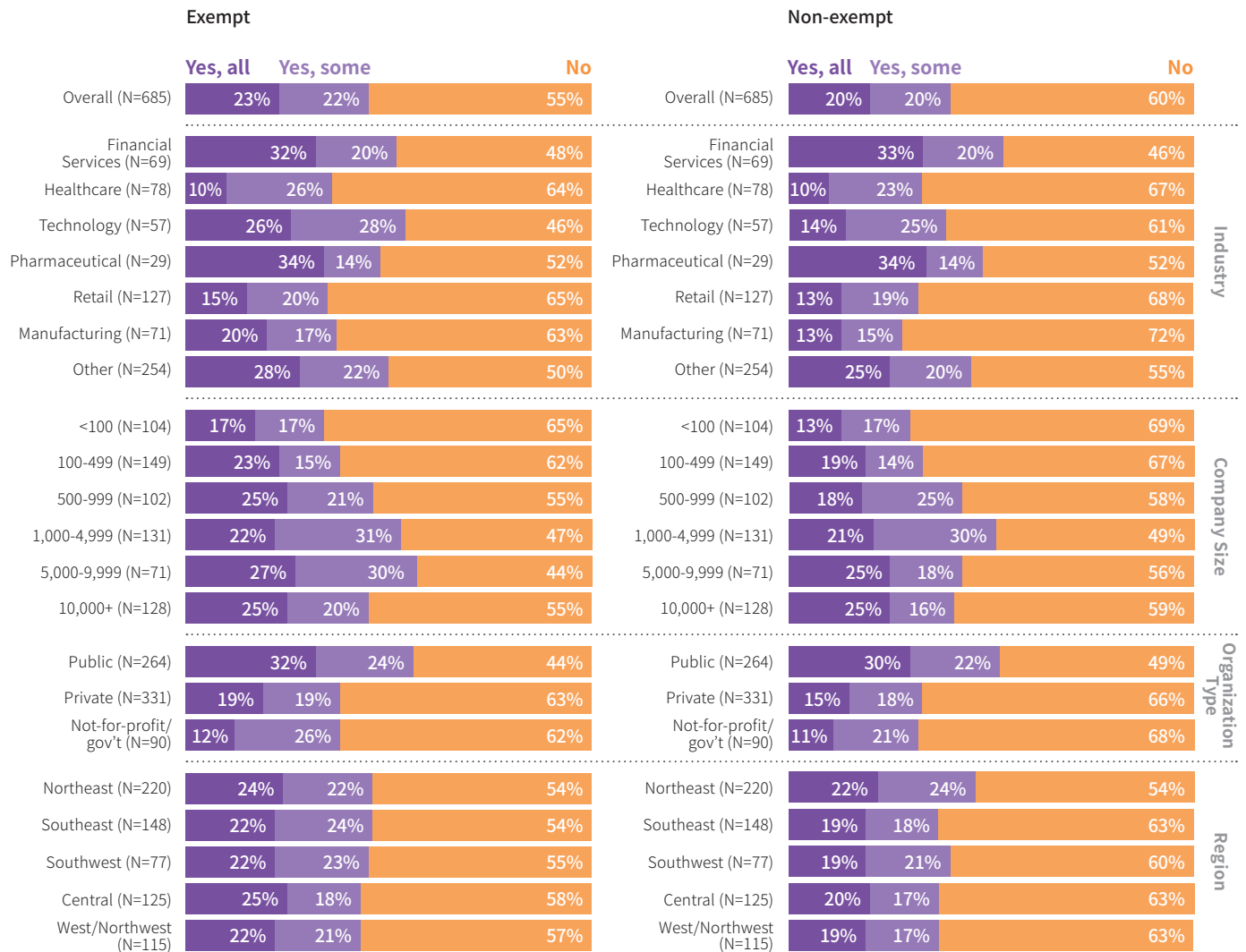
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## OUTPLACEMENT PACKAGES

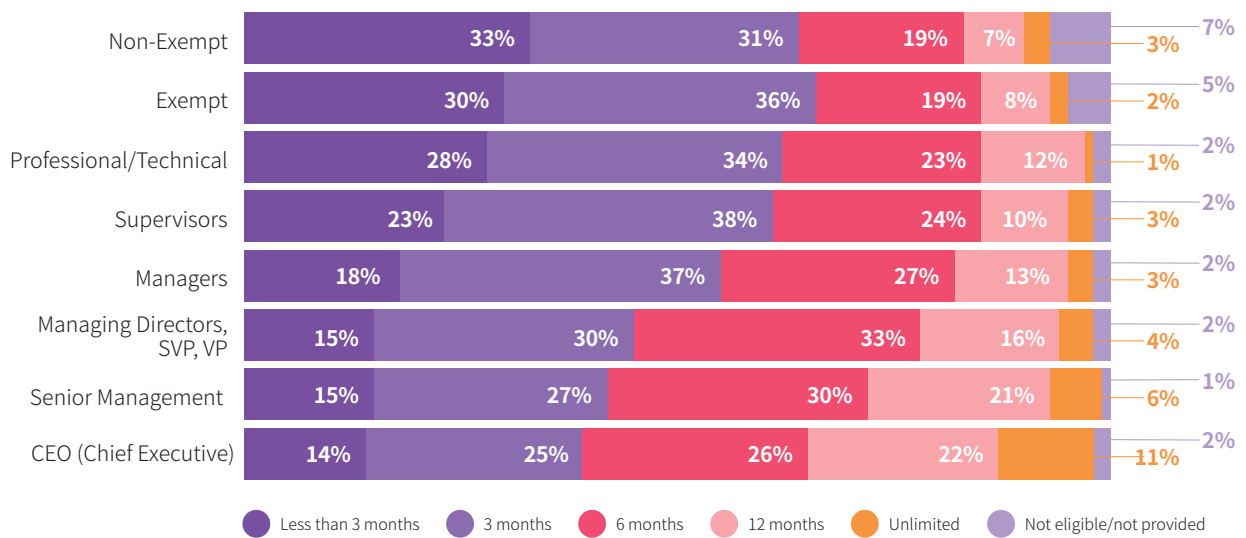
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Packages by position level, by industry, size, sector and region



## OUTPLACEMENT PACKAGES

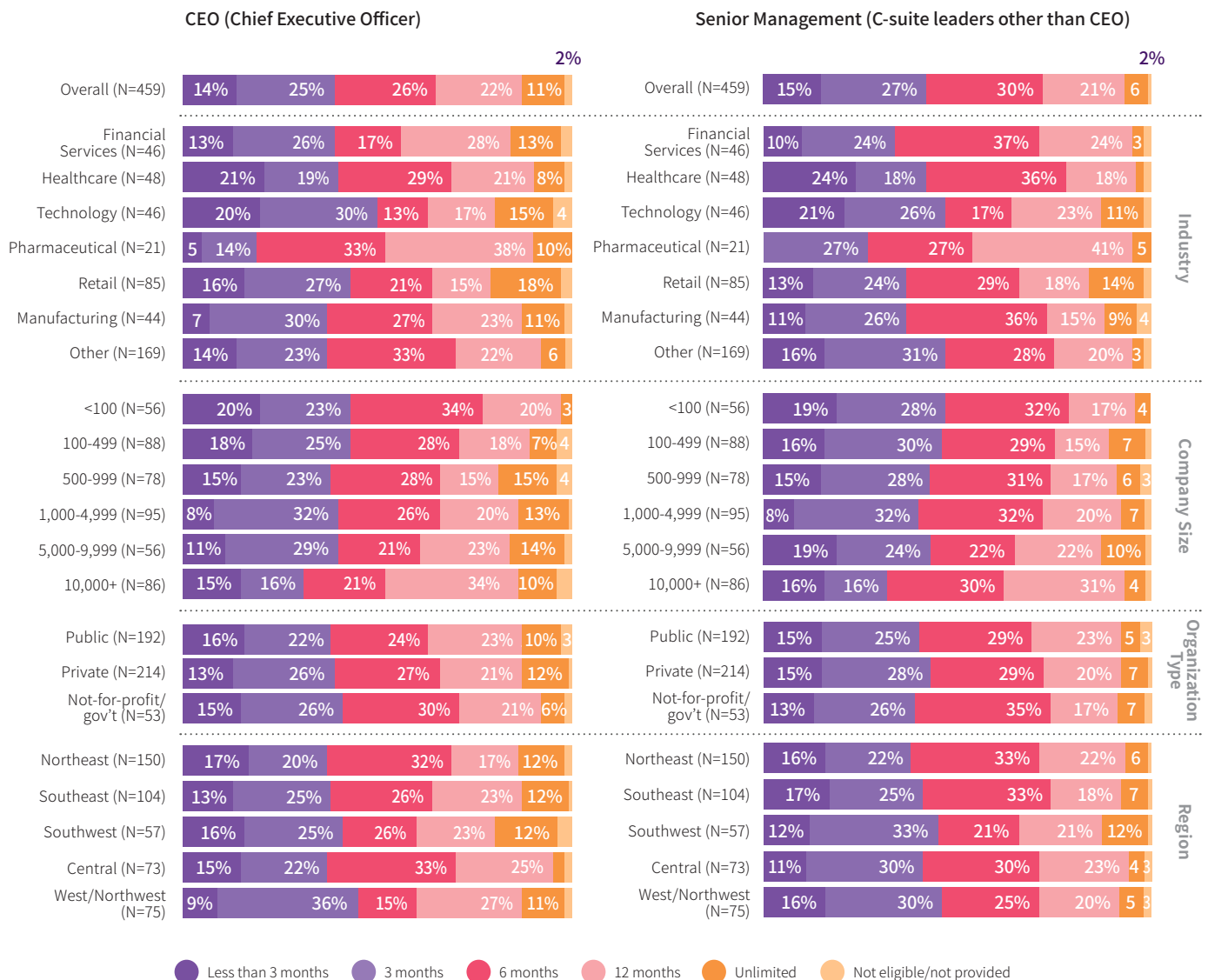
What is the typical length of time offered for each outplacement program at each level of employee?



## OUTPLACEMENT PACKAGES

### PROFILES

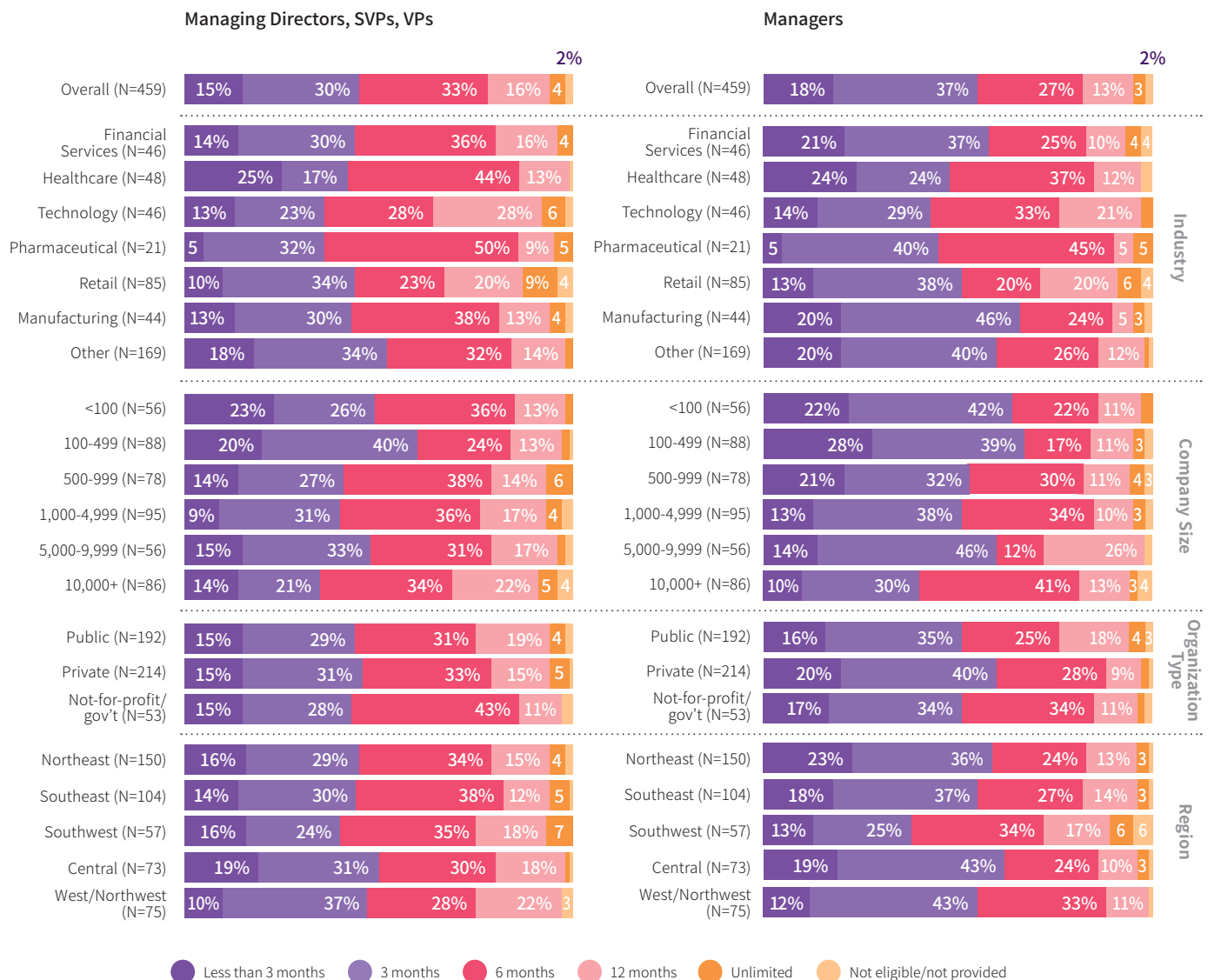
Time offered by position level, by industry, size, sector and region



## OUTPLACEMENT PACKAGES

### PROFILES

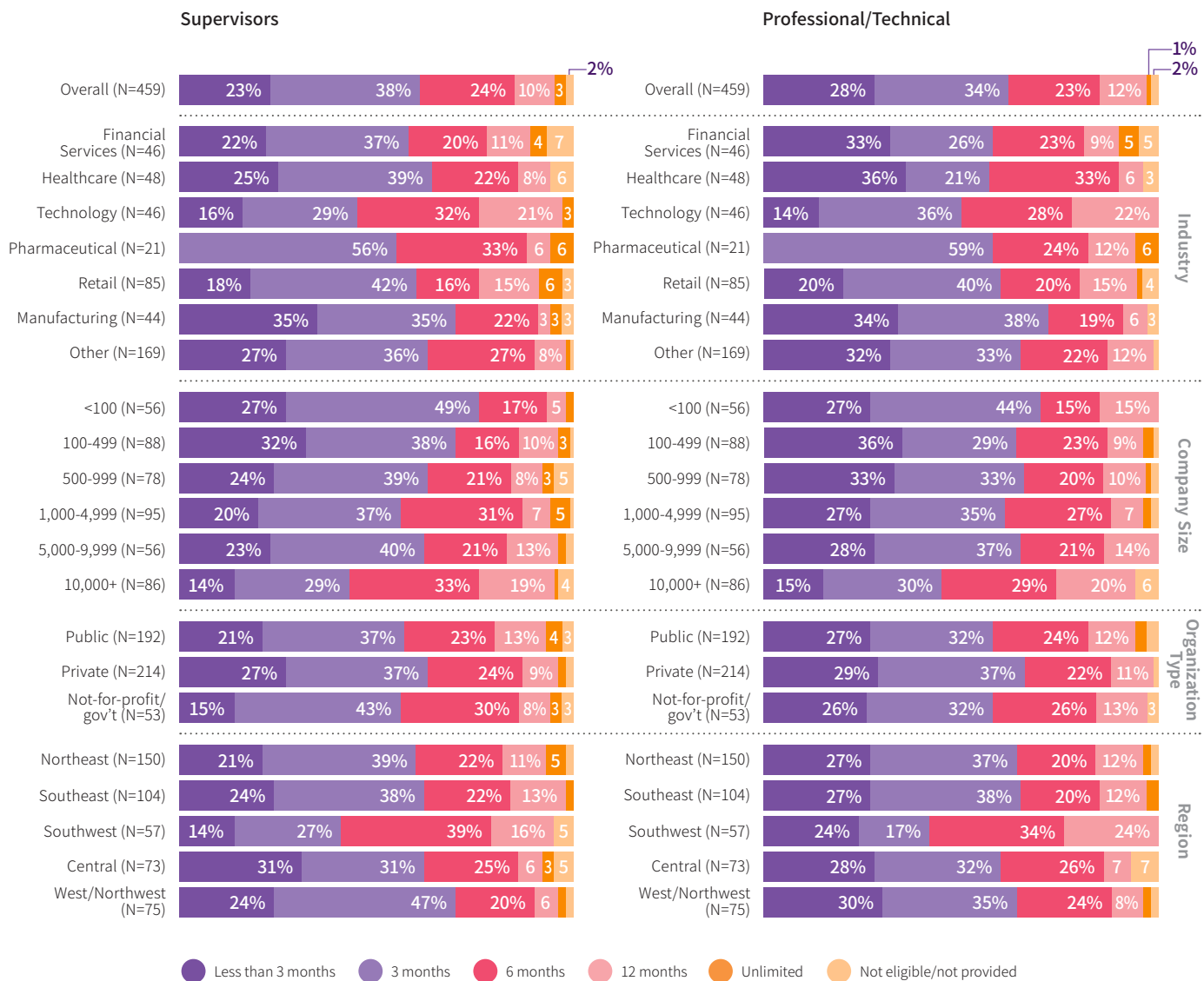
Time offered by position level, by industry, size, sector and region



## OUTPLACEMENT PACKAGES

### PROFILES

Time offered by position level, by industry, size, sector and region

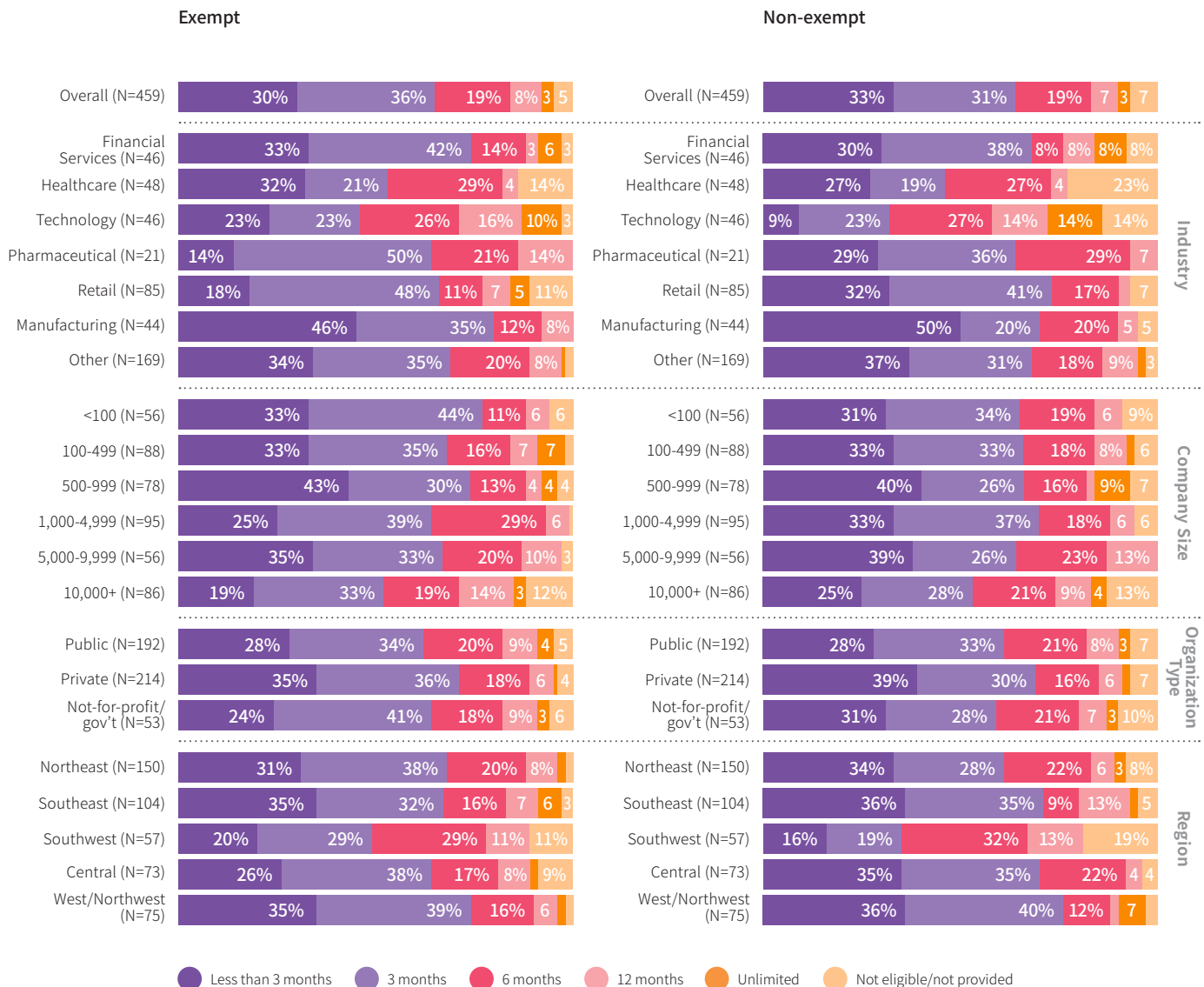




## OUTPLACEMENT PACKAGES

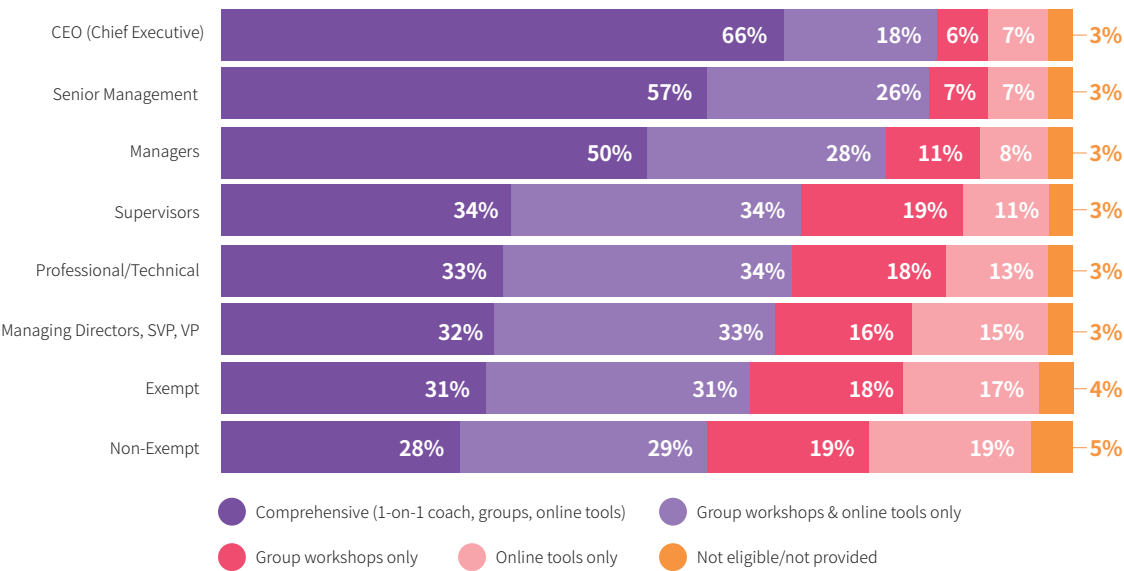
### PROFILES

Time offered by position level, by industry, size, sector and region



OUTPLACEMENT PACKAGES

What type of outplacement program do you typically offer to each level of employee?

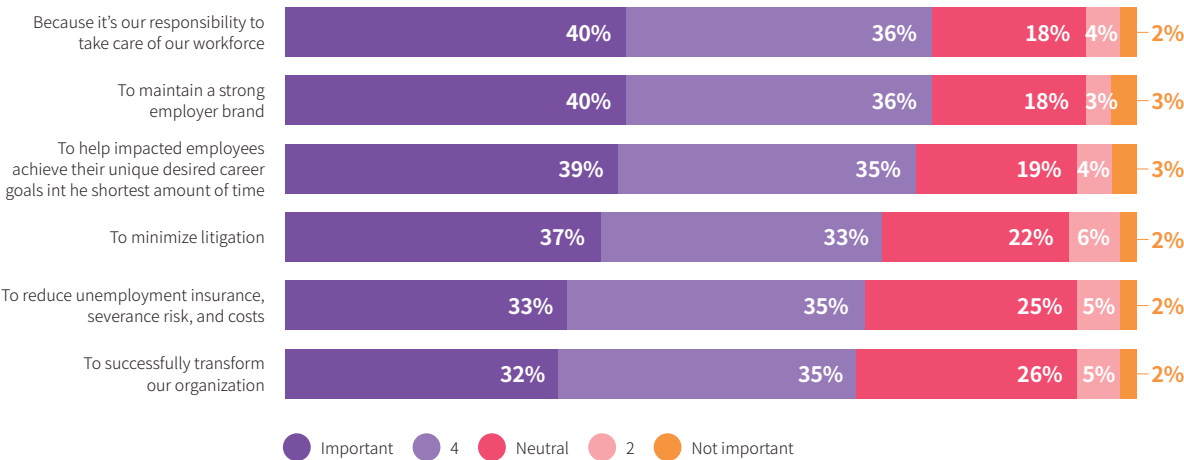


Are employees required to begin their outplacement services within a specific time frame?

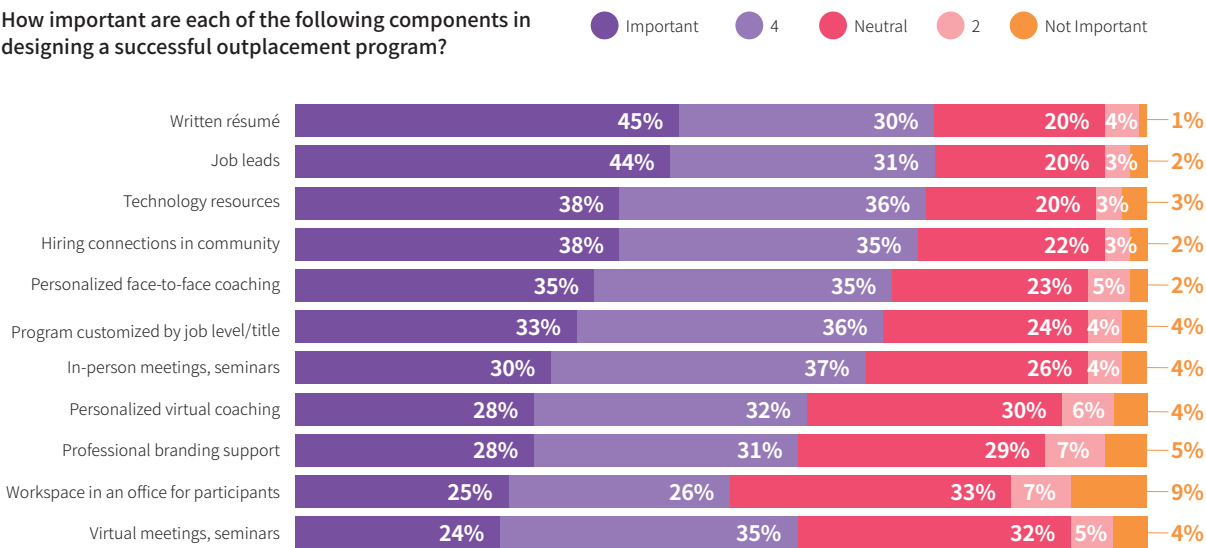
Outplacement Timeframe	2020	2017
No	23%	46%
Yes, within 30 days	51%	24%
Yes, with in 60 days	15%	11%
Yes, with in 90 days	7%	12%
Other	4%	7%

OUTPLACEMENT PACKAGES

How important are each of following reasons for offering outplacement programs?



OUTPLACEMENT PROGRAM FACTORS



Traditional Outplacement	LHH Active Placement
<ul style="list-style-type: none"><li>▶ Limited or no job connections</li><li>▶ Generic support with CVs</li><li>▶ Outplacement portal with generic content and tools</li><li>▶ No or limited skill development</li><li>▶ Outplacement which is reactive and traditional</li></ul>	<ul style="list-style-type: none"><li>▶ Proactive connections to relevant companies with open vacancies</li><li>▶ Expert support in all aspects of personal branding to produce winning resumes and social media profiles</li><li>▶ AI-powered portal delivering a bespoke and personalized digital experience</li><li>▶ LinkedIn Learning courses available to every individual to develop new skills to land better jobs</li><li>▶ Highly qualified and certified Global Coaching pool, who utilize data &amp; predictive analytics to proactively support every individual to land quickly with the best outcome</li></ul>

# Outplacement provider checklist

The need for outplacement services can come in many forms — from shifting business strategies to plant closures to mergers and acquisitions. Whatever situation your organization finds itself in, it is always useful to have a thorough understanding of the different services offered by outplacement providers. Whether you need immediate support, or you are building contingency plans and want to establish a relationship with a provider, we recommend starting your market analysis with these critical factors.

Key considerations	Checklist	Provider 1	Provider 2	LHH
<b>Credibility</b> Credibility is a vital factor when considering any service provider, but with outplacement, trust is critical. Your businesses reputation is at stake. You want to be confident you are choosing an established and experienced partner that has been trusted by many organizations to take good care of their employees during what can be a very difficult time.	<ul style="list-style-type: none"> <li>▶ Established organization with many years of outplacement experience and a proven track record for successfully helping people advance their careers</li> <li>▶ Financial strength and stability, demonstrated growth, and an experienced, credentialed leadership team</li> <li>▶ Relevant references and strong testimonials from candidates and customers</li> <li>▶ Expert consultants who can help you navigate the complexities and local market nuances of restructuring and layoffs</li> <li>▶ Ability to benchmark results, trends and outcomes across different sectors, industries and geographies</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Scale &amp; Flexibility</b> Whether your organization is small and local or you're one of the largest firms in your industry, your outplacement partner should be able to mobilize quickly and confidently, with the right people in place to meet the unique needs of your business and your people — anywhere, anytime.	<ul style="list-style-type: none"> <li>▶ Dedicated offices in a wide range of locations to support you and your people in local markets</li> <li>▶ Differentiated, flexible program options that align to the levels and roles of the people in your organization</li> <li>▶ A dependable client success team to manage your outplacement projects with precision, personal care, and a constant eye on your business needs</li> <li>▶ Thousands of career coaches from a variety of backgrounds and industries, each with local market knowledge and specialized expertise</li> <li>▶ Demonstrated commitment to delivering the highest quality services to every individual, whether you have one employee or thousands in need of support</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Key considerations	Checklist	Provider 1	Provider 2	LHH
<p><b>Personalization</b></p> <p>You've worked hard to build your employer brand and the employee experience. You want an outplacement partner who understands and values this, who truly cares about your people and doesn't treat them like numbers on a spreadsheet. And because each person's career transition can be so different, it's important to select a provider who will personalize their services and focus on the individual.</p>	<ul style="list-style-type: none"> <li>▶ Flexible options for in-person and virtual support, so people can sit down with a coach or access their services on the go</li> <li>▶ Coaches who take the time to understand who your people are and what they want to do, and who can guide them to achieve personal success</li> <li>▶ Robust support for all career paths, including full time career, industry change, portfolio career, business ownership and active retirement</li> <li>▶ Reskilling and upskilling from industry leaders like General Assembly and LinkedIn Learning, to expand individual career options</li> <li>▶ A specialized team that develops relationships with hiring managers and personally connects your people to individually matched opportunities</li> <li>▶ Exclusive, tailored services for your C-Suite and senior executives in dedicated, discrete offices around the world</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b>Innovation</b></p> <p>You might be thinking, "How innovative can outplacement really be?" Every provider should have the essentials, like a career portal with the latest tools, resources and information for managing the transition and the job search. But that's not enough. Hiring practices and job market dynamics are constantly evolving, so outplacement providers need to continuously refine and adapt their offering, bringing together the best people and technology to deliver successful outcomes for candidates.</p>	<ul style="list-style-type: none"> <li>▶ Personal branding experts who understand how companies in each industry search for talent and who provide individuals with SEO-optimized resumes and distinctive online profiles</li> <li>▶ Investments in Artificial Intelligence to deliver better job matches and continuously improve the user experience</li> <li>▶ A proprietary digital platform where candidate profiles are accurately matched with unadvertised job openings, giving hiring managers first choice from an exclusive pool of job seekers</li> <li>▶ Data at scale on what makes candidates successful, intelligently leveraged to drive enhancements, improvements and the development of new services</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Considering these factors will help you protect your brand and ensure your peace of mind, knowing that you have prepared, planned and provided a well-considered and truly supportive service for your people.

To learn more, contact LHH at 1.800.611.4544 or visit [lhh.com](https://lhh.com).

CREATING A RENEWABLE WORKFORCE

Now is the time to reimagine your talent strategy to one that can continually reshape and renew your workforce. As companies continue to adapt to new market realities, it is imperative that they look for opportunities to reduce the impact of restructuring and layoffs, including the impact on people, communities, employer brand, and future company success.

A renewable workforce approach takes a holistic view on the employability of your people and can help organizations fill more open jobs with employees who have unrealized potential.

Research tells us that emerging skill gaps are on the rise and many organizations have realized that the skill sets of their workforce will not match the future needs of their company. And that newly acquired skills will quickly become obsolete. New roles that are future-fit will be needed to rapidly execute new business strategies.

To address this skill gap, companies have opportunities for more innovative reskilling and upskilling programs. While standard outplacement services for separating employees remain popular, 65 percent of respondents also include upskilling or reskilling programs to facilitate redeploying talent before implementing layoffs as part of their strategy. Investing in a reskilling and redeployment program can help significantly reduce the volume of employee terminations and potentially save employers up to \$136,000 per person, compared to the traditional approach of simultaneous layoffs and new talent acquisition. However, some companies are still not executing this strategy, and 35 percent did not compare costs of terminating employees to the benefits of upskilling or reskilling people who can move into new roles within the company.

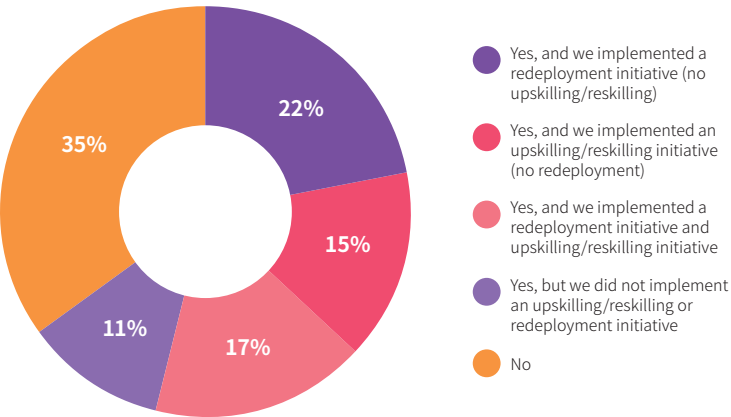
Many companies today are not looking beyond traditional separation offerings and are therefore missing opportunities to invest in their people while reducing costs of both severance and recruiting. Allocating time and resources toward an employee reskilling or redeployment initiative can help employers implement easier transitions for their employees and remain a respected partner in the process.

LHH has seen companies that redirect some of their restructuring budget into reskilling employees realize a return of 8 to 10 times their initial investment. This return can be reinvested into the organization in a variety of ways, like executive coaching for leadership, or to increase compensation for current employees. After all, over two-thirds of companies review their severance policies every one to two years, meaning similar timetables may apply for other compensation and benefits programs. Employers should approach changes to these policies jointly to ensure they are utilizing all the resources at their disposal.

Only  
**20%**  
of employees have the skills needed for both their current role and their future career.

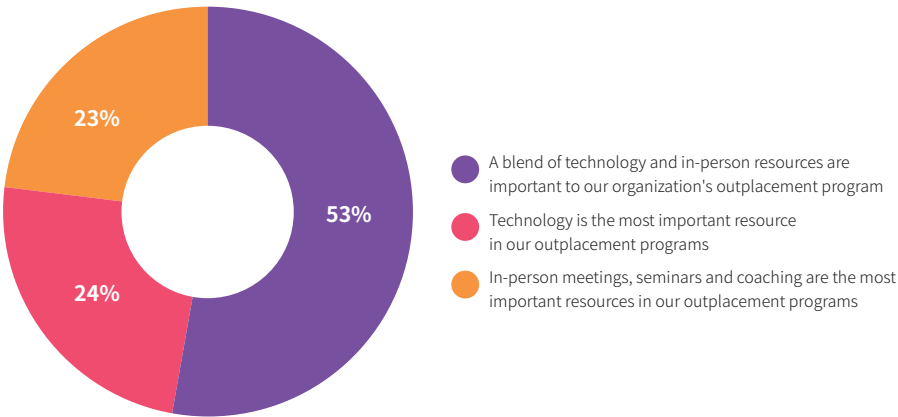
**5 years**  
Average shelf life of a skill

Has your organization compared the cost of terminating employees to the cost and benefits of upskilling/reskilling and/or redeploying them (moving employees elsewhere in the organization where their skills can be utilized)?

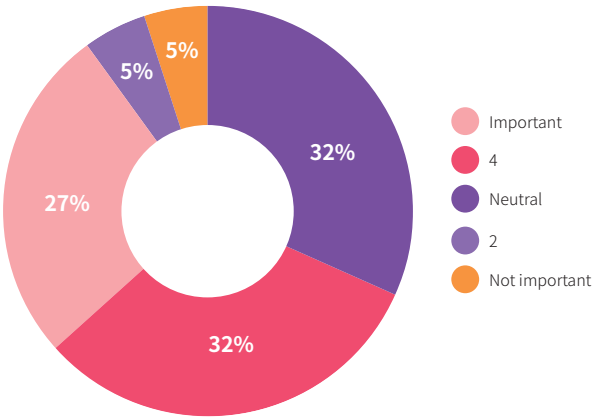


DECISION MAKING

Which of the following most closely describes your organization's philosophy on outplacement?



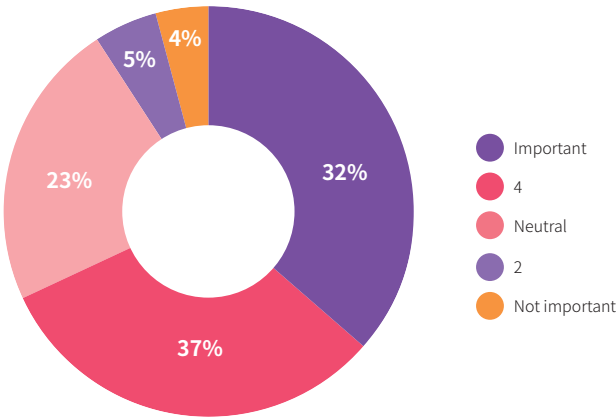
How important is it to your organization to prepare impacted employees for career transition before separation occurs?



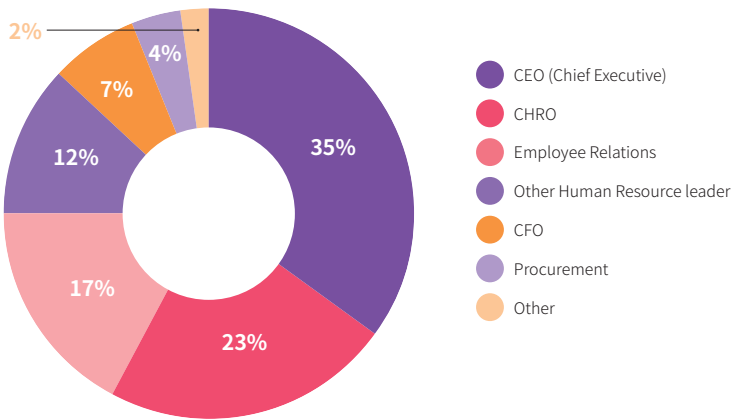


DECISION MAKING

How important is it for your outplacement partner to have strategic partnerships (e.g., recruiting firms or other companies) to help place downsized employees into new positions?

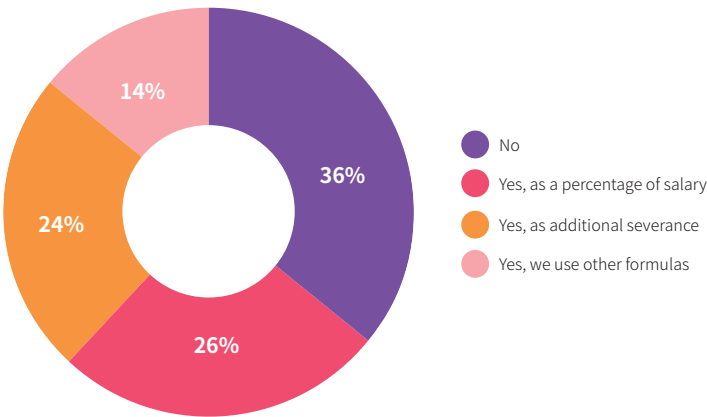


Who leads the decision-making on outplacement in your organization?



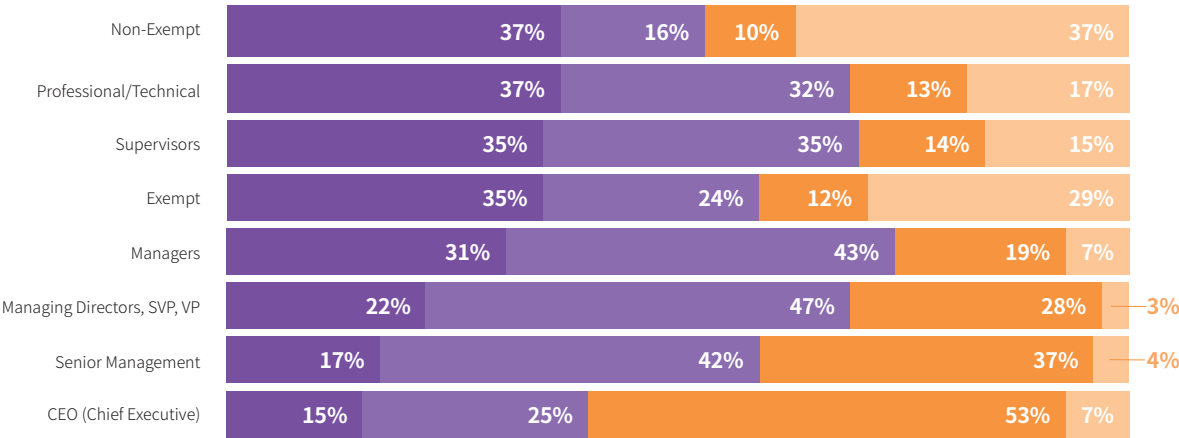
STAY BONUSES

Does your organization offer stay (retention) bonuses to ensure continued service of employees whose jobs have been eliminated until a specific date?



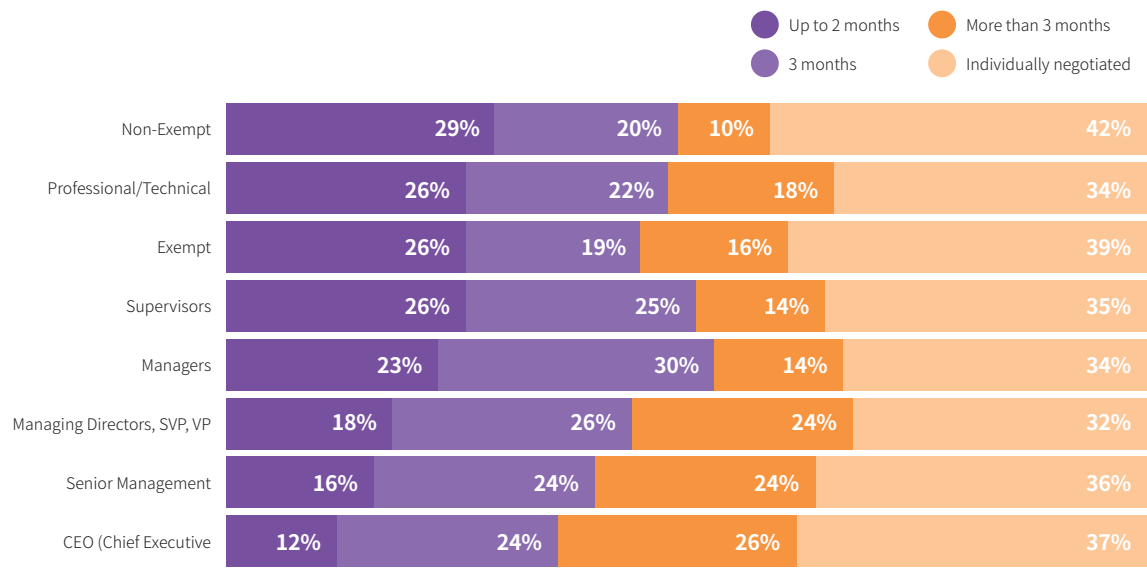
As a percentage of salary, how much does your organization offer as a retention bonus?

- Less than 10% of salary
- 10%–19% of salary
- 20% or more of salary
- Not eligible/not provided

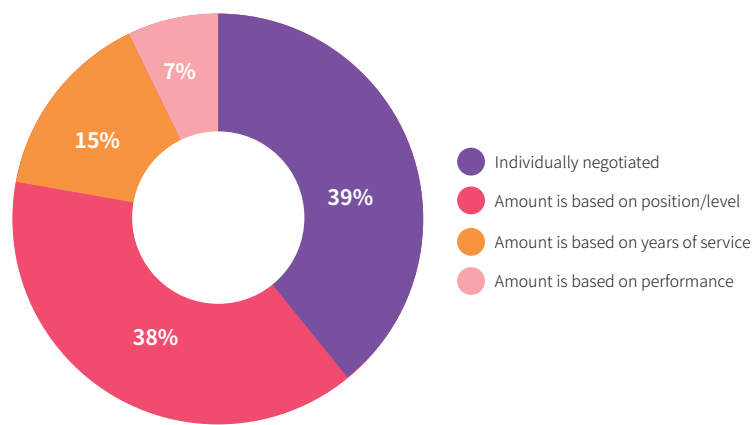


STAY BONUSES

How much additional severance does your organization give?

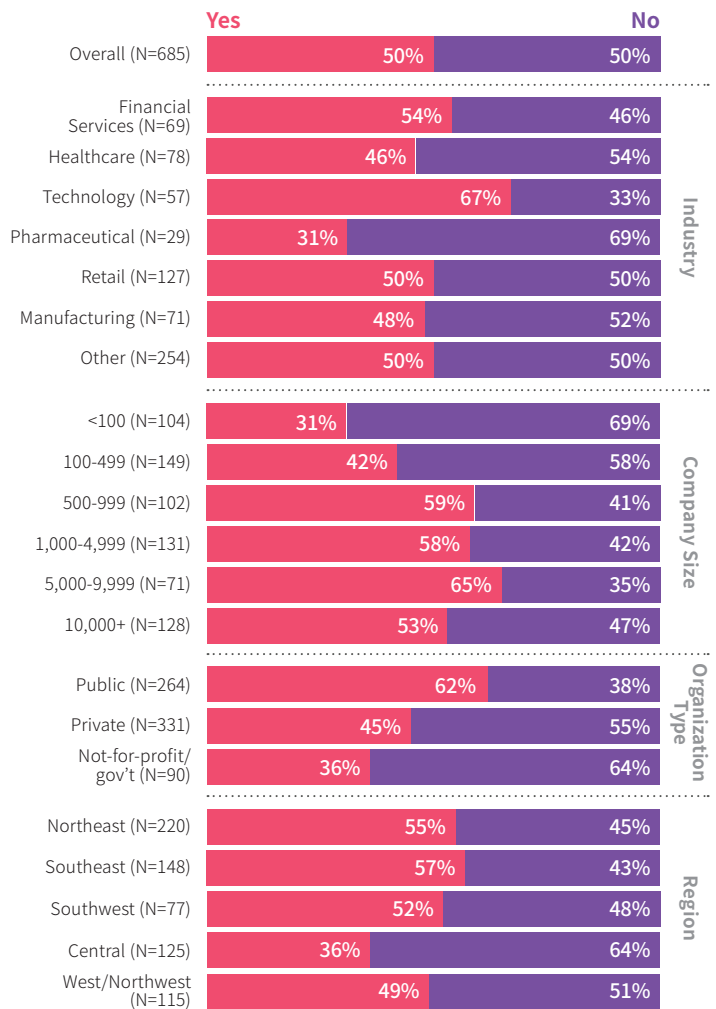
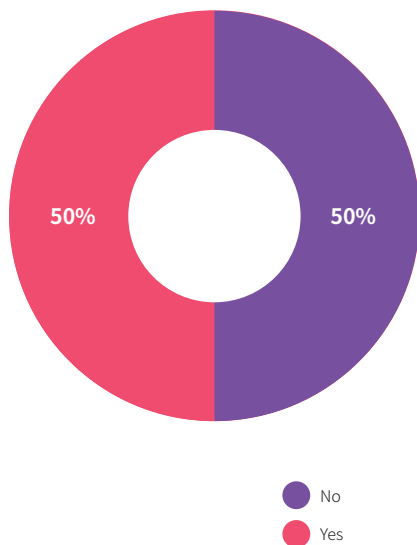


If you use another formula, what does your organization provide?



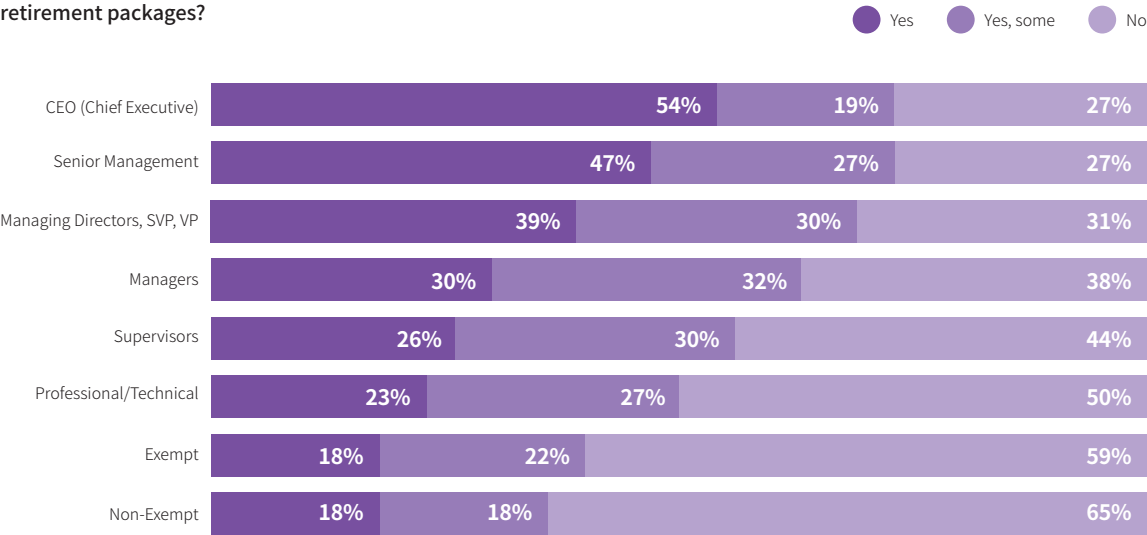
## STAY BONUSES

Does your organization allow employees who have accepted stay bonuses to begin receiving outplacement prior to the date they officially leave the organization?

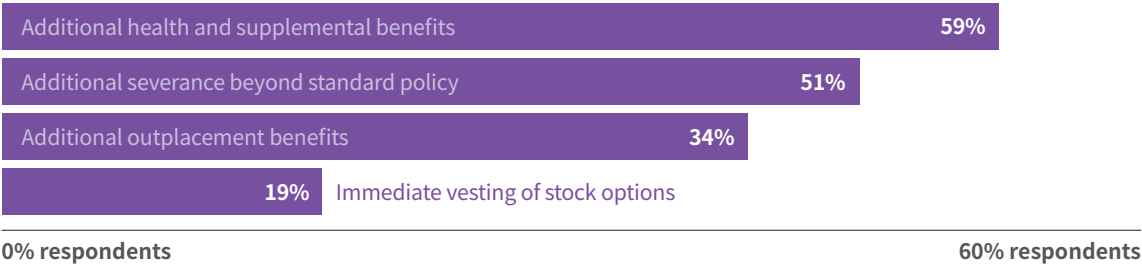


EARLY RETIREMENT PROGRAMS

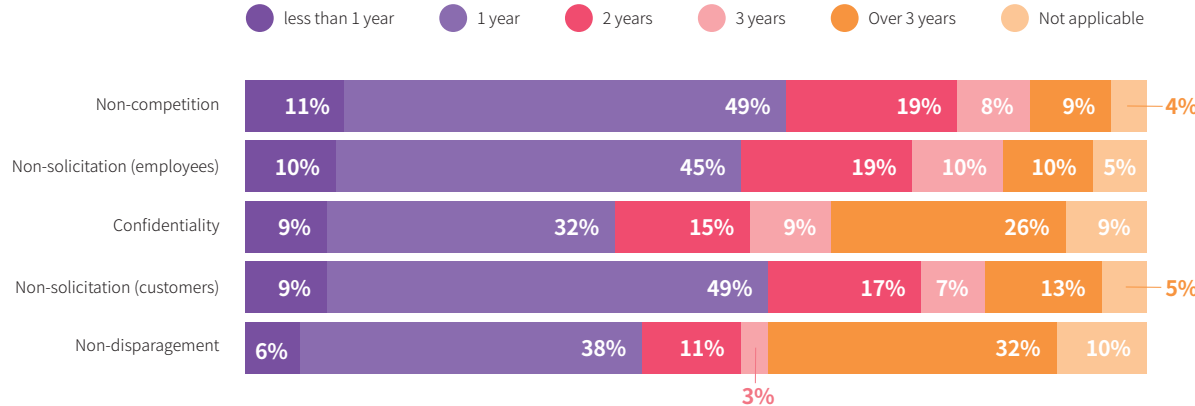
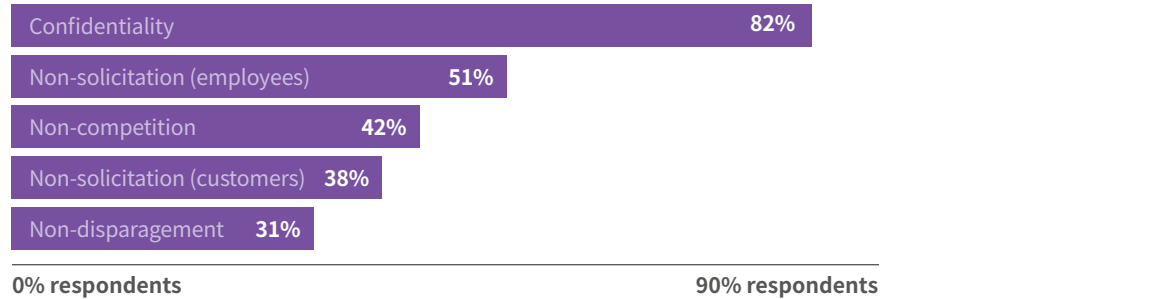
Who is eligible for voluntary separations/voluntary retirement packages?



What are the elements of the packages offered?

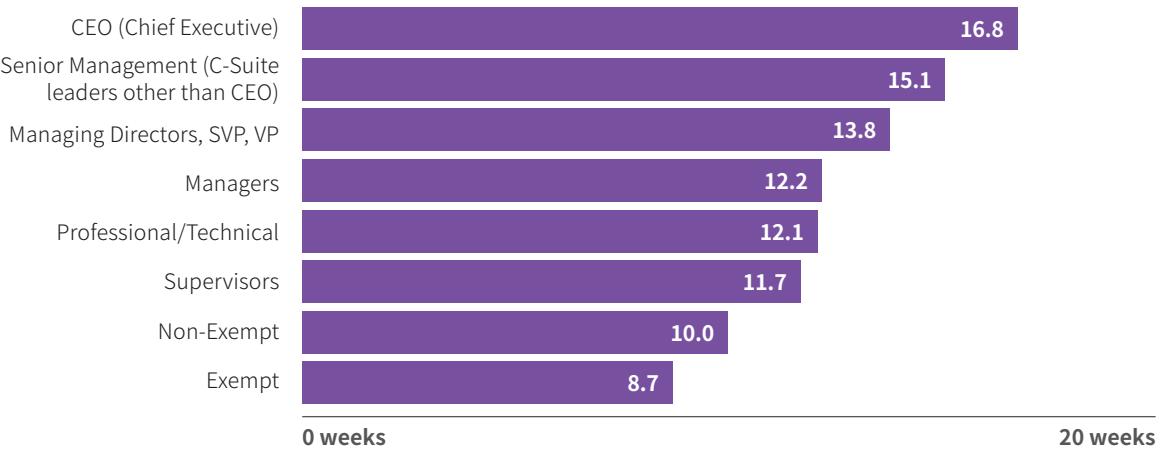
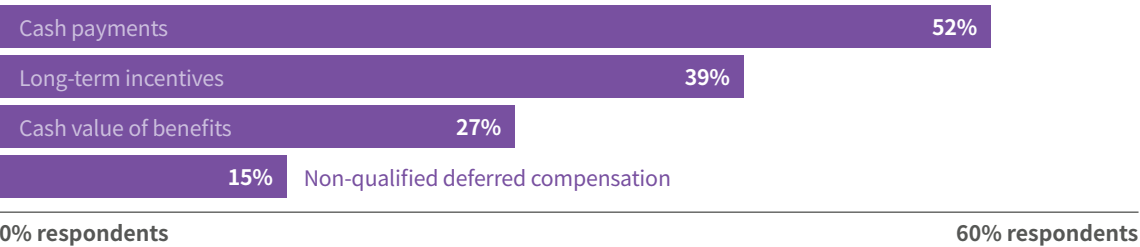


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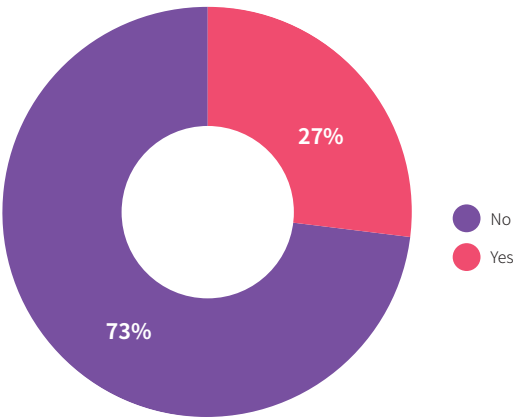
COVENANTS

Which clawback provisions does your organization use to enforce its covenants?

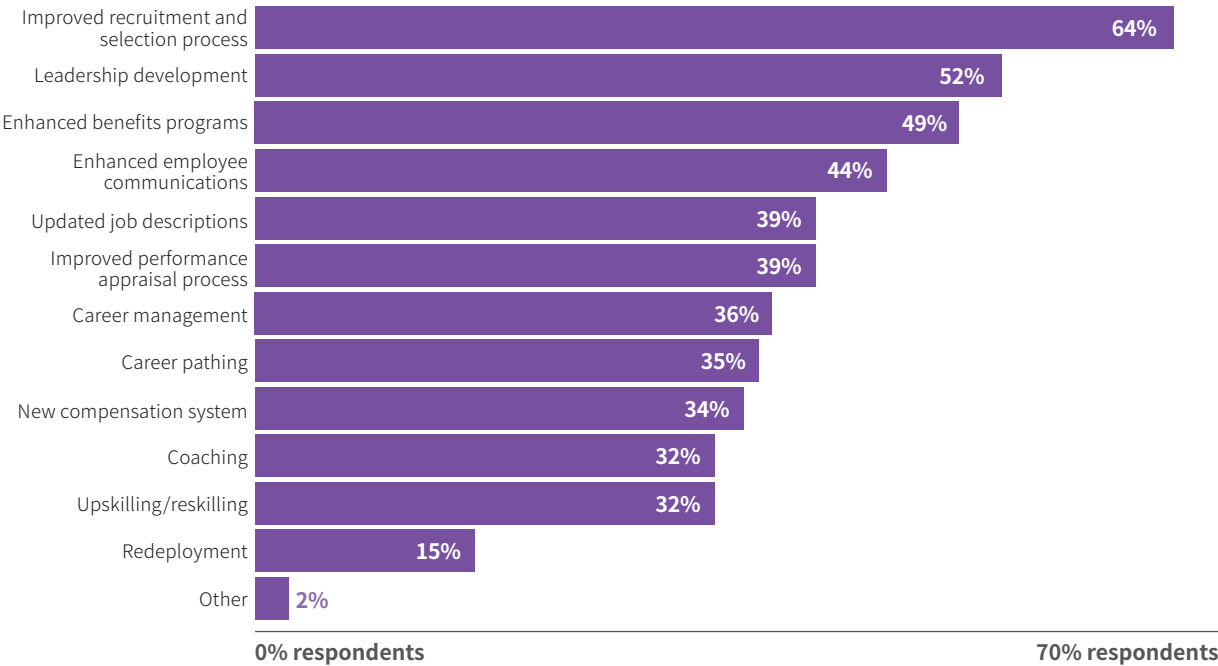


RETENTION & TURNOVER

Does your company conduct exit interviews?



What programs and/or processes has your organization implemented to reduce turnover?





# Conclusion

During uncertainty and in an increasingly tough regulatory environment, it's important to frequently review your company's severance provisions to ensure compliance with law, reduce risk and remain competitive.

Companies recognize that a well-rounded total rewards package is important for retaining employees and to demonstrate they are taking various steps to reduce turnover, including enhanced severance and separation benefits programs and improved communications with employees. These retention devices transcend many economic conditions.

Minimums and maximums may change, the methods of calculation and the tolerance for negotiation may vary, but severance and separation benefits continue to play a critical role in a

company's ability to remain competitive. Companies are adapting to this transformed workplace and continuing to offer more comprehensive severance and separation benefits that are competitive and support their brand as an employer of choice.

We also know that organizations today have an opportunity to envision a future workforce that is considered a renewable resource, where reskilling and upskilling through internal mobility programs can reduce restructuring and recruiting costs while addressing skill gaps and filling critical open jobs within your organization.

Ask yourself the question, "What if your future workforce could include more of the people who work for you today?"

Contact [lhh.com](https://lhh.com) today to learn more.



**Companies recognize that a well-rounded total rewards package is important for retaining employees.**

### **About LHH**

In today's marketplace, organizations are discovering the need to turn their attention inward to find their future talent. At LHH, we help companies see the possibilities in their people. Through assessments, coaching, upskilling and transitioning, companies can realize the untapped potential within their own workforce, resulting in increased productivity, morale, and brand affinity.

A division of The Adecco Group – the world's leading HR solutions partner – LHH's 4,000 coaches and colleagues work with more than 12,000 organizations in over 60 countries around the world. We make a difference to everyone we work with, and we do it on a global scale. We have the local expertise, global infrastructure, and industry-leading technology to manage the complexity of critical workforce initiatives and the challenges of transformation. It's why 60% of the Fortune 500 companies choose to work with us.

Learn more

**Visit us at [www.lhh.com](http://www.lhh.com).**

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Compensation Resources, Inc. (CRI) is a boutique consulting firm specializing in providing clients with hands-on consulting expertise. CRI specializes in executive compensation, sales compensation, pay-for-performance and incentive compensation, performance management programs, and expert witness services. Our firm is staffed with experienced human resources professionals who have appropriate academic credentials and have broad general knowledge and specialized experience in the design and implementation of organization-wide compensation programs. Since its inception in 1989, CRI has provided a wide variety of clients with creative and pragmatic solutions to meet their business needs. The hallmark of our firm has been to provide practical solutions that are easy to understand and administer, cost effective and most importantly, "they work." Adherence to these principles has enabled CRI to provide our clients with professional, practical assistance tailored to their individual needs.

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