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The Impact of Outplacement on a Corporation's Reduction of the Workforce

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**THE IMPACT OF OUTPLACEMENT ON
A CORPORATION'S REDUCTION
OF THE WORKFORCE**

Betty E. Wendland, B.A.

An Abstract Presented to the Faculty of the Graduate
School of Lindenwood College in Partial
Fulfillment of the Requirements for the
Degree of Master of Human Resources

ABSTRACT

This thesis will focus on the study of outplacement in the corporate world. Global businesses in the decade of the nineties have been faced with increasing their profits and providing stock holders with an increase in dividends. In this situation the answer is often to decrease personnel.

The purpose of the study is to investigate how companies handle restructuring and downsizings. It will show that companies should have a transition plan in place to handle such circumstances. Outplacement is a key to smoothly handle the process of the terminations that inevitably happen. This study examines the issues relating to the usage to outplacement firms, assisting the terminated employees, as well as the company. It helps the terminated employees to focus on the future rather than the traumatic event of a job loss.

Companies gain benefits through reduced severance packages, lower legal costs, lower unemployment compensation costs, and improved public relations.

Reduced productivity and poor morale among the remaining work force can be a high cost which outplacement counters.

Career counseling helps the individual focus on their career goals immediately and learn new ways of securing employment, including developing a network. Outplacement can provide a structured environment for support during this transition period. Because there is a focus, results are likely to be achieved more quickly. With professional guidance of career assessment, preparing a resume, fine-tuning interview skills, and preparing to market themselves, the individual can get on with the rest of their life more quickly. It is, therefore, hypothesized that outplacement is beneficial to both terminated employees and the company releasing them.

Fifty companies responded to Survey I which was sent to human resources officials within the St. Louis area. The questions on this survey focused on whether the company had experienced a restructuring or downsizing and the recipient's experience in managing it. Survey II was sent to executives of 89 outplacement companies in the United States. Twenty-four companies responded. Questions on this survey

asked about the criteria that client companies used to select an outplacement firm, how long it took terminated employees to find new positions, and reasons outplacement is used.

The data was analyzed calculating the mean, mode, median, variance, and standard deviation. Results showed that the hypothesis of outplacement being beneficial to both terminated employees and the company releasing them appears to be true. However, to actually prove or disprove this, additional research should be done asking the terminated employees, both ones that received outplacement, as well as those that did not, their opinions.

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A Culminating Project Presented to the Faculty of the
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Degree of Master of Human Resources

1994

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Chapter I
INTRODUCTION

Introduction

In today's workplace both employers and employees are finding themselves in an atmosphere of uncertainty. No longer do employees feel that they will work for the same company for a life time as perhaps their grandparent did. Employees may find themselves suddenly unemployed or employers may find themselves at the crossroads of having to decrease personnel and suddenly dismiss workers. When and if this happens they should have a plan established in advance so this, sometimes overwhelming, event does not take them by surprise. Outplacement is a key to smoothly making this transition and working with companies to have a plan for such events.

This study will examine the issues related to the usage of outplacement by companies terminating employees. It will show that it does benefit both the company and the terminated employees, off-setting the expense to the company. In an era of organizational changes, companies must be prepared to deal with change. They must be sure that the employees affected

by the change are also dealt with in a humane way. The policies and practices of the company at such a time will affect terminated employees, employees remaining, the company itself and the community at-large.

Organizational Change

"GM to Offer Job-Hunting Leaves in Effort to Ease Out White-Collar Workers" (White A1) and "Help for the Post-Layoff 'Survivors'" (Morin A3) are common headlines these days. Many St. Louis companies, like McDonnell Douglas, Monsanto, and General Motors, and corporations across the nation like Sears, IBM, and R.R. Donnelley are reducing their work-forces or closing plants. Corporate downsizing, restructuring, reorganization, and early retirement, terms almost unknown five years ago, are part of the normal employee's vocabulary in 1993. They are mentioned in newspapers almost on a daily basis. To reduce costs corporations usually look closely at personnel related expenses which are often one of the highest expenditures in the budget.

The Wall Street Journal recently reported that IBM scheduled a special board meeting to consider a massive new round of asset sales and dismissals of employees

(Miller and Hooper A3). Although IBM has never made such cuts in their history, their decline in sales forced them to do something to cut expenses in view of their market share decline. Companies, large and small, are undergoing much change and transition. "Philips Reports Big Loss for '92, Plans Job Cuts" was the March 5, 1993 headline about Philips Electronics cutting jobs (Hudson A8). In similar circumstances Northrop Corporation found that with cuts in defense spending, they too would have to cut their staff. The Wall Street Journal reported on September 21, 1992 that:

Northrop Corporation, Los Angeles, CA, will significantly reduce its work force during the next three and one-half years, but the firm backed off an earlier estimate that 6,500 workers on its B-2 bomber program could lose their jobs. The program, which employs about 12,500 of the company's 34,000 workers, will shrink rapidly under federal budget cuts. Most of the reductions will occur in 1994 and 1995, with only a few hundred jobs being eliminated in 1993. Meanwhile, the company currently is hiring workers for some programs, such as its subcontract work for McDonnell Douglas Corporation on the F/A-18 fighter jet. (Northrop 5)

In 1988 at TRW Inc's Space and Defense Sector, Human Resources Chief Jeffrey Wilkens was faced with a new position which coincided with company layoffs after

a seventeen year period of growth. He acknowledged, "We didn't have the right policies and procedures in place to handle any kind of downturn." The company had to formulate options such as early retirement and voluntary terminations, and put into place outplacement services. TRW's Space and Defense sector then cut twenty percent of its work force (Drake 32).

Employees of all levels, in corporations of all sizes, are nervous about the future. Years ago an employee began working at a company such as Anheuser Busch and felt comfortable that they would work there the rest of their working life. No longer is that the case. More often than not, an employee will work at several companies.

Where in years past, employment lines were blue-collar manufacturing employees, now they are mixed with many white-collar workers. Once plants reopened and business picked up the laid-off workers were called back. In the current recessionary environment, white-collar employees make up a good proportion of the employment lines. Jobs have been eliminated through reorganization and there is little hope that employees will be called back (White Collar Job Search 1).

Workers are not guaranteed a job. "Employees get

laid off whenever operating expenses must be trimmed. They are canned in batches when business turns sour. Individual workers are terminated for good reasons, and sometimes for no reason at all" (Coulson 4).

Change is difficult for all people. There are changes all around us. As a democratic nation, the United States voted a change in the Presidency in 1992. Changes in medicine affect people almost daily. There are new surgeries, drugs, and breakthroughs in diseases. Changes in jobs offer little security. Hochheiser says:

According to United States government statistics: the median length of job tenure is about four years, as many as ten million of us become unemployed in any given year, while another ten million take on new occupations during the same time period. Much of the transience has followed from a wave of takeovers, mergers, and restructurings that has struck the corporate world in recent years. (16)

Corporate Strategy

Throughout the world corporations are undergoing reorganizations, including termination of employees, in response to competitive cost pressures, the need to provide stock holders with a profit, and to eliminate redundant positions which may be caused by a merger or

new technologies.

Releasing employees is traumatic to all people involved. This includes those delivering the message, those being discharged, and even those who remain. In response to the trauma of dismissal, many corporations are developing strategies. One such strategy is the use of outplacement firms to handle the transition between dismissal and reemployment.

Whereas outplacement can be a great expense, as much as 15% of an employee's salary, the results usually outweigh that expense. Whether it is in a situation where one employee has been dismissed, or in a large layoff, outplacement can be beneficial to the terminated employee, as well as to the company.

To keep costs lower, outplacement firms provide group career transition counseling. This can include several days of intense counseling, providing the individuals in the group with assistance in approaching the job search in a positive manner with valuable tools such as a current resume, interview techniques, and how to go about finding a job in the marketplace. Costs for group counseling can be less than \$100 per person (DeMoss 13).

Some companies choose to do nothing for employees

released. Managers may appear at the desks of employees telling them to remove all personal items and then escort them to the door as it is their last day, a rather crude method, but one sometimes used (Morin and Yorks 8).

Companies may not be as cold hearted as dismissing employees without notice, but often there is little support or time allowed for them to adjust their thinking to being without a job. A company dealt with several managers let go over a period of a year in different ways. Four were escorted off premises immediately, some were able to clean out their desks and be gone by the end of the day, several were allowed to use the office facilities for a period to look for a job, and one was allowed to use his secretary to take messages for him for sixty days (Morin and Yorks 8).

Boatmen's First National Bank began planning in 1988 for a planned 1989 merger with Centerre Bank of Kansas City. They knew this would be a time of transition. They implemented a newsletter to all employees and conducted "Managing Change" training which dealt with emotional issues. They methodically approached their plan for all employees, those that would remain and those who would leave. Employees

accepted this favorably as they saw that cuts would not be made randomly, but well thought through. In the end, only twenty employees were terminated. In the planning, Boatmen's had filled vacant positions since 1988 with temporary employees. When the merger took place they were able to let the temporary workers go and offer those vacant jobs to permanent employees. Because they had planned, the massive layoff that had originally been threatened was averted (Boatmen's First National Bank's "People Investment" Paid Off 1).

Often the releasing of employees can be callous, but there are humane ways to treat dismissed employees as seen in the Boatmen's scenario. Companies need to plan and know where they are going in this area before the time for terminations occurs. Setting up a policy will help alleviate many problems that can occur. Policies should include executives and all other employees.

Outplacement Counseling

Outplacement is a valuable tool in the downsizing of companies. Many companies provide outplacement counseling as a major severance benefit to assist employees who are let go from their jobs, whether it is

a plant closing or a downsizing because of new corporate strategies or the economic conditions at the time. Outplacement involves helping people market themselves into satisfactory new jobs. Usually a career assessment is completed with a psychologist which will aid in assisting the employee in defining his career objectives (Morin and Yorks 201).

Career counseling assists terminated employees by getting them focused in the right direction. The goal of the consultant is to rebuild the candidate's confidence toward obtaining another job. The consultant does not provide the job. It is up to the individual to do that. As one consultant put it, "We are the coach, the candidate is the player. We develop the strategy, he carries the ball" (Coulson 37).

"The process of outplacement has four main phases: neutralizing the trauma, rebuilding the ego, planning the job campaign, and knocking on doors" (Kingsley 97). The employee will go through a period where they feel inadequate and insecure. They will need extra help in going through this phase. To rebuild a person's ego takes time. This phase can be accomplished through an evaluation of their career, their dislikes and likes, and other helpful information that will help in

compiling a resume and getting the person on the right track to pursue another job.

Professional assistance at such a time is very important to get the employee focused in the right direction. Trained professionals counsel laid-off workers in dealing with their feelings of depression, anger, and stress in being discharged from their jobs. These firms also provide help in preparing terminated employees for their job search while minimizing the trauma associated with the termination. Establishing goals, writing resumes, developing a networking system, and learning how to make contacts are also important parts of the program. There may be individuals that would choose to pursue their own business or go into consulting. This may be a time to begin to channel their efforts in that direction. Others may be looking to retire and this can be a stressful transition which outplacement firms can assist in making easier. Relocation is a key issue in situations of large downsizings. In more specialized industries and positions, employees may have little choice but to relocate if they wish to remain in their field of expertise. This can be particularly stressful when a spouse with a separate career is involved or all of the

employee's family relationships are in the same area (Morin and Yorks 12).

Outplacement firms

Outplacement firms such as Drake Beam Morin, Human Resource Management, Right Associates, The VanDover Group, and Career Search Consultants are found throughout the United States. Many have offices in several major cities. "The firms provide very individualized psychological, analytical, and technical support during the transition period" (Hosier 69-70).

Outplacement firms have been providing career transition consulting for many years. Drake Beam Morin became involved in this challenge of assisting terminated employees during the late 1960s (Morin and Yorks back cover). Consultants are trained to meet the needs of not only those employees who find themselves terminated from a company, but also in career counseling with those people who are looking for assistance in career management or a career change.

Outplacement firms are used for downsizing and also for mergers and acquisitions. Whether a company is discharging one employee or there is a major staff reduction, it is essential to have it done smoothly

with as little interruption of the regular schedule of remaining employees as possible.

Consulting firms are able to assist companies in all the details of terminations. Pre-termination consulting is provided to the company and a consultant is available to meet with the terminated employee immediately after notification of discharge. The outplacement firm also provides recommendations on how to communicate the news to the employee, where it should be communicated, as well as the training of managers on how to terminate employees (Taft 9).

Developing a transition plan

Companies provide outplacement for many reasons. Terminating employees is an unpleasant task and often causes anger. The outplacement firm will encourage the employee who is suddenly unemployed to focus, not on the anger, bitterness, and shock, but on the positive aspects of a career transition. Counselors should be available immediately to help the employee at a very sensitive time. It is recommended that the employee go from being told of the termination into an outplacement program immediately (Gibson 21).

Reduced costs

Although the costs of such services can be high, the positive financial payback is realized through reduced severance packages, lower legal costs, and lower unemployment compensation costs. Outplacement programs accelerate the job search process and usually the terminated employee finds another position faster. There is also reduced potential for discrimination and EEOC lawsuits as employees focus their thoughts and energy on the future rather than the past. Counselors can diffuse terminated employee's negative feelings, focusing them on the future rather than the termination. Reduced productivity among the remaining work force can be a high cost which outplacement can assist with by helping rebuild the confidence and trust of those employees (Morin A3). A study conducted by the St. Paul Fire and Marine Insurance Company suggests that:

while downsizing may tempt companies to maintain productivity by heaping on extra work, in fact, making employees slaves to their jobs may instead run counter to promoting a satisfied, productive workforce.
(How Stress Affects Burnout 8)

The purpose of the outplacement firm is to provide

the employee leads through job sourcing and assist individuals in preparing and marketing themselves find a suitable position. They are taught job search strategies which include techniques for finding jobs. Job seekers need to learn to think like a hiring manager, planning their strategy accordingly (Feinstein 5).

Choosing an outplacement firm takes thorough research and is not a decision to be made quickly. A company should first know what it wants and then can intelligently look for the firm that will best meet those needs. In order to be considered successful, a good outplacement firm should:

smooth the termination process, reduce the chance of lawsuits, improve employer-employee relations, enhance company morale, improve the image of the company, aid in restructuring a company to improve productivity and profitability, solve problems of promotion, channel communication between employee and employer, and reduce the cost of termination. (Kingsley 91)

Public relations

Outplacement is good for public relations. It communicates to the community that the company is concerned for its workers. This is especially

important for a large company (Kingsley 92). The outplacement also serves to improve the morale of the remaining employees. Even if there is a significant number of employees let go, the outplacement can prove that management does want to assist those employees during a very rough period. When fair treatment is provided it also helps in the recruiting which will happen in the future.

Developing interviewing skills

Interview skills are worked on through one-on-one coaching and through videotaping. The individual is assisted in developing a market plan to focus on types of companies and identifying the best channels for getting interviews. They are assisted in putting together cover letters, thank you letters, and assisting in other related documents. Often an outplacement company will provide a computerized data base with companies across the country listed. Usually a library is available with books such as Sorkins Directory of Business and Government, Dun and Bradstreet, Encyclopedia of Associations, Corporate Affiliations, Manufacturing Directories, and other technical books associated with the business of the

firm that is terminating employees. Weekly and monthly journals and magazines, local and out-of-town newspapers, and trade journals provide a source of job opportunities that the normal person would not have access to on their own (Morin and Yorks 169).

Job campaign

Planning the job campaign will bring the person into focus with where they are going. They need to prepare a sales campaign to sell themselves. Part of this is preparing a resume, honing their interview skills, and even learning how to dress to present themselves in the most positive manner. After several weeks of intensive preparation, the candidates are ready to present themselves. They have been networking with people that they know from the past and the present and now are ready to send out resumes to many people as a result of these contacts. The outplacement company can provide much assistance in this area as the candidates search for contacts in both the advertised market as well as the hidden market of unadvertised jobs.

It isn't just the blue-collar workers that are being terminated in the downsizings. The

Bureau of Labor Statistics estimates that between 1981 and 1986, almost 500,000 executive, administrative, and managerial personnel lost jobs they had held for at least three years. Ford and Chrysler alone cut more than 50,000 white-collar jobs. The pattern was repeated in companies like AT&T, Bank of America, Kodak, Polaroid, and Exxon, where such moves historically had been inconceivable. (Grayson, Jr. and O'Dell 172)

Summary

In today's workplace both employers and employees are finding themselves in an atmosphere of uncertainty. The key to a smooth transition is preparing for the restructuring. This is imperative to a smooth transition in such a time of upheaval. Determining ahead of time the company's policies and goals will provide a basis for getting the employees, both the ones that are let go, as well as the ones that remain, through a difficult period. The overall performance of the organization comes through its people; therefore, it is imperative to treat them with respect and in a professional manner. Communicating to employees and making them part of the overall goal is important if the company expects them to assist in reaching it. Employees may find themselves suddenly unemployed or employers may find themselves at the crossroads of

having to decrease personnel and suddenly dismiss workers. When and if this happens they should have a plan established in advance so this, sometimes overwhelming, event does not take them by surprise. Outplacement is a key to smoothly making this transition and working with companies to having a plan for such events.

This study will examine the issues related to the usage of outplacement by companies terminating employees. Hopefully, it will show that it does benefit both the company and the terminated employees, off-setting the expense to the company.

Chapter II

LITERATURE REVIEW

Help Through the Transition

There are many benefits from using career transition counseling or outplacement. There are benefits to the company, the employees who remain, the individual leaving the organization, and to the community. It helps the company by providing it with a way to take decisive action where appropriate in terminating employees legally and sensitively.

Because there can be legal risks in the termination process it can cost a company thousands of dollars if not handled properly. Outplacement can reduce these costs by training managers how to release employees humanely and legally, diffuse the employees' negative feelings and focus them on the future, and help the employees make a career transition more quickly (Benefits of Career Transition 2).

It can also preserve the image of the company in the community. The community and the remaining employees see that the terminated employees are being treated with respect and fairness. This shows that the

company does care for its employees (Brockner 9). This is a help to remaining employees. Not only will they expect to be treated fairly in the future if similar circumstances befall them, but they can expect to be treated fairly while they are still employed with the company. The feeling will be that there is an increased probability of perceiving fairness due to the treatment of the employees let go during this period. Survivors' perceptions of the fairness of a company layoff are determined by their beliefs about why the layoff occurred as well as how the layoff was implemented (Brockner 20). This helps the morale. The community is also helped because with the assistance during this career transition, hopefully those employees will find jobs in a shorter period of time. This will be good for the whole community.

Career counseling benefits the individual in many ways. It helps them focus on the future rather than on the unsettling and unfortunate thing that just happened to them. By helping the person overcome the negative and gain a positive outlook on the event, stress will be reduced for the person as well as the person's family. There will be help in how to tell others that they have lost their job. It can assist in building

the self-image of the individual for coping with the future (Conroy 21).

Counseling will help those terminated focus on their career goals immediately. They will learn new ways of securing employment, including developing a network (Polsky and Foxman 30). Outplacement provides a structured environment for support during this transition period. Because there is a focus, results are often achieved more quickly. Professional guidance is given, including a career assessment, preparing a resume, fine-tuning interview skills, and preparing to market themselves (Individual Career Transition Process 6-10).

Corporate Termination Policies

All companies must deal with terminations. Although it is an unpleasant subject, it is a topic that most managers will have to face one day in their management career (Morin and Yorks 1). If they are lucky it will be that they are terminating other employees, however, it may be they that are the ones being terminated. As companies cut costs, often it is middle management that is caught in the reduction of the work force.

Seldom does management training include the topic of termination practices. However, in an age where corporate downsizing, restructuring, and reorganization are discussed frequently it is a part of management training that seems to be very necessary. Often it is mishandled (Rosen and Jackson 3). Termination occurs for employees at all levels; managers and supervisors in the corporate hierarchy need to be taught the do's and don'ts of the process.

William Morin is chairman and Chief Executive Officer of Drake Beam Morin, Inc. which is a leader in providing outplacement services to businesses around the world. Morin is known to be an expert in providing services to major corporations on mergers, acquisitions, and downsizing. In the book he wrote with Lyle Yorks, he states the importance of outplacement counseling in the business world today.

With the emergence of outplacement counseling as a recognized and widely accepted component of human-resource management, the situation is changing. Increasingly, corporations are carefully examining their severance practices and striving to deal with terminations in a professional manner. We have learned much in recent years about how the separation process should be managed to insure that it is appropriate and just and that it minimizes

the trauma for all concerned. (Morin and Yorks 2)

Robert Lee, another authority in the outplacement industry from Lee Hecht Harrison says that corporations have used outplacement firms for 15 to 20 years (Lee 1).

There are two basic versions of outplacement: one-on-one or group. The one-on-one have usually been for the older, longer tenured, senior level people, and the other has been primarily for younger employees. Whereas traditionally the higher level positions had more seniority, this is no longer the case. Now tenure, age, and level are not as closely connected as they once were. (Lee 1)

Therefore, a corporation's outplacement policy can not be based solely upon age, but must incorporate position, seniority, and other factors when deciding who is eligible.

Awareness of Outplacement

As companies go through work-force reductions, they are also realizing the importance of training their managers how to carry out these terminations successfully. More and more articles are written on the topic. Such magazines as HR Magazine, HR Focus from the American Management Association, Wall Street

Journal, and others listed in the works cited section of this paper regularly address this topic. Companies are engaging the assistance of such companies as Drake, Beam, Morin, Inc., Human Resource Management Corporation, Right Associates, Lee Hecht Harrison, and other outplacement firms who can provide employees, including managers and supervisors, with the support they need during this time.

Although outplacement firms are often used in the termination of an executive, they are normally not used for other employees, possibly because they feel that employees at lower levels within the company can find jobs easier. However, during the time of group downsizings, the realization of the need for outside assistance often occurs. It is during this time that management becomes more aware of the need for outplacement than at other times. When there is a mass staff reduction, companies realize their existing termination practices just will not work (DeMoss 13).

In a 1986 national survey of 244 companies, 49 percent of the respondents had established an outplacement counseling policy. Forty-six percent provided internal outplacement services and 75 percent used outside outplacement consultants. The primary benefits the companies using outside consultants felt were important were: ability to handle sensitive situations, expertise offered by

the outside firms, and the broad base of services available. In addition those surveyed felt the training their managers received was of utmost importance (Morin and Yorks 17-18).

The American Management Association conducted a survey in 1993 and found that 47 percent of the surveyed companies reported cuts in the work-force compared with 46 percent in the preceding 12 months. Their study indicated that 65 percent of the firms that downsize in a given year do so again the following year. Rationale for releasing these employees included business downturn, improved staff utilization, merger or acquisition, plant or office obsolescence, automation, or a transfer of production or work. Some companies took other actions to prevent work-force reductions. Hiring freezes, demotions, salary reductions or freezes, early retirement, voluntary separation plans, job sharing, and a shortened work week were among the actions taken to keep jobs. The study showed that 78 percent of the companies provide some type of outplacement assistance. This assistance ranged from full service by a professional outplacement firm to assistance in typing resumes. However, the usage had increased over past years (1993 AMA Survey 1-4).

Whereas outplacement can be very costly, in the long run it makes up that cost in the advantages it provides. Probably the major reason for not using this consulting service is because of financial reasons. Usually the cost of this service is based on the salary of the person receiving the service. Because of the status of an executive, companies are more likely to provide this service to them. If there are financial constraints, employees at lower levels within the company may be left out, even though the cost of the service to non-exempt employees is relatively low. There is more cost savings for lower level employees because outplacement is provided in group sessions which are usually quite cost effective. Therefore, cost should not be a valid reason for not providing the service to the lower level employee.

Mergers, Acquisitions, Plant Closings, and Relocations

"Terminations are classified as reduction of force when an employee's job is eliminated because of combining job functions, changing methods, or by elimination or relocation of certain operations" (Famularo 65). Terminations can come because a company is moving the facility to a better location or a less

expensive location where personnel costs are less. Some companies close down and move to another country all together, such as Mexico, where labor costs are significantly less. Plants have become obsolete and companies are looking for new improved facilities. Other companies will let employees go because they have lost a major contract, such as a large government contract on which they have built their business.

The defense industry is an example of this. "Reduced defense spending along with growing foreign competition, off shore manufacturing, and corporate restructurings are fundamentally changing the high-technology job market" (Severance Policies 2). Many large corporations such as McDonnell Douglas and Boeing have had major staff reductions due to a decrease in government contracts. These layoffs cause a trickle-down affect on many other smaller companies who in turn must reduce their payroll as a result of fewer dollars being spent.

Mergers, acquisitions, reorganizations, and changes in technology can bring about a reduction in force (Kingsley 47). Still others have had major changes in sales due to a change in the market. No matter what the reason, the results can be the same.

There is less demand for workers and some have to be let go.

The most common justification for people being terminated is lack of work. When that can be demonstrated, an employee can be laid off. Sometimes questions arise about which employee should be terminated. Should the layoff be based upon seniority or comparative ability? How deep should they cut? But the principle is well established: where the need for workers has evaporated, it is understood that the employer has the right to reduce the work force. Although we do not say that such a worker was "fired", the effect on the worker may be the same thing. (Coulson 71-72)

Steps in a Layoff

There are many things that companies need to do before administering a staff reduction or closing. The steps are:

Planning. It is imperative that advance planning be done, evaluating all the factors and resolving as many problems as possible.

Notification of the union. This is usually a legal requirement in cases where a union exists, but advance notification beyond that required by the collective bargaining agreement is desirable, and good employee-union relationships cannot be maintained without it.

Involvement of the personnel department. While layoffs are a line decision, it is well to involve the personnel department in related activities, since the department staff probably has a certain amount of

expertise in placing workers and solving other problems that may arise, and will be available to counsel employees on personal problems stemming from the layoff.

Provision for review. There should be a provision for review in cases where an individual feels that he is being laid off improperly in the light of rule or custom. In addition, a follow-up study and evaluation should be made to find out how well the layoff operation has worked out and what can be learned both positively and negatively for future use. (Yoder and Heneman 4-236)

Layoff Choices

Selection criteria are important in determining those employees who should be separated. Part of that selection criteria is consistency in choosing the employees to be terminated. Consistency in selection is imperative to avoid legal problems. The legal environment makes it imperative that discharges be handled properly. Performance may be the main selection criteria. Objective data must back up the selection. In cases where unions are present, the layoffs will usually be based on the seniority of the worker. This is usually an item that has been negotiated in the union contract.

"Collective bargaining agreements usually vary greatly in their layoff procedures" (Yoder and Heneman

4-235). They can be clear-cut if they have been included in the contract. Seniority is the term used which designates an employee's length of service within the bargaining unit. Seniority is sometimes determined on the basis of company-wide seniority, or within job classification, section, or department.

Construction agreements often do not contain any seniority clause, leaving the contractor the option of laying off people less vital to the operation and keeping those more qualified. Other agreements may call for layoff strictly on the basis of seniority; the majority of contracts are so constituted. Still others provide for layoff on a seniority basis with some consideration for ability. (Yoder and Heneman 4-235)

During the layoff period, an employee will normally accumulate their seniority and vacation benefits. Some companies also have a temporary layoff period for a brief time. This would usually cover periods when there has been a natural disaster, the moving of a department, or cancellation of a major contract without prior notice.

When the rule of layoffs is exclusively by seniority, the most recent hires will go first no matter what department the workers are in. "Newly hired minority and female workers often bear the brunt

of the layoffs" (Coulson 139). There may be departments where most of the employees are new and the company will be adversely affected, but if the union contract stipulates that the layoff be based on seniority for union workers, then the contract must be followed. Because women and minorities have generally been in the work force for a shorter period than men, they are often in that group that is released first.

In two landmark decisions, Fire fighters Local Union No. 1784 v. Stotts and Wygant v. Jackson Board of Education, the Supreme Court ruled that an employer may not protect the jobs of recently hired black employees at the expense of whites who have more seniority. (Cascio 86)

It is expected that this will remain as is. Often in a union environment, "bumping" rights will allow employees in a higher grade or classification to "bump" an employee in a lower grade or classification when a layoff comes and they are to be laid off from their position. By moving to a lower position, they "bump" another employee out the door because the employee has the lower position and less seniority (Kingsley 80). Normally the employee moving to the lesser position will also be given a decrease in pay on the level of that new position. Even though they have the lesser

job, at least they still maintain a job within the company. On the other hand, "bumping" may leave the company with unqualified people in jobs because the senior employees do not have the abilities or recent experience in areas previously handled by junior employees (Kingsley 80).

Recall Rights

Recall rights are normally addressed in union contracts along with layoff regulations. This is usually based on seniority within the employee's job classification. Normally the senior employee will be offered seniority recall to the opening that is available, even though it may not be the job they were in at the time of their termination. If employees accept recall into a lower grade than from which they were laid off, those employees will retain recall rights to the higher grade when such a position opens up. Employees offered recall into a lower grade will have the option of refusing such a recall and still retain their recall position in their higher grade. There are times when "management has the sole voice in determining who will be called back and in what order. The best workers (in the eyes of management) may be

called back first if management has the sole voice" (Yoder and Heneman 4-232). Usually recall rights are kept for a period of one to three years.

Some companies provide special packages for workers who voluntarily resign. Often this is called an early handshake proposal and a selected group of workers may be singled out. It may be a group of older workers that will be given early retirement, or it may be a general offer to see who will volunteer. General Motors announced in the Wall Street Journal on February 17, 1993 that they are going to try to speed cuts by giving paid job-hunting leaves to employees who agree to quit. Under the voluntary program salaried workers of any age with at least one year of seniority at General Motors and agree to quit between April 1 and June 30 can take six to fifteen months to find a new job. In addition, they will provide outplacement counselors to help with job searches. These employees will continue to receive a salary and health care insurance. The company feels that this new approach will be less costly than the early retirement packages and lump-sum buyouts offered in the past which would

continue for a longer period of time than this process and cost the company a great deal. (White A1)

Legal Ramifications

When doing any termination there are legal ramifications that must be considered. Employment rights are protected by the government for four groups of employees. The four groups are:

women, who may not be discriminated against because of their sex, members of minority groups, who may not be discriminated against because of national origin or race, workers over the age of forty, who may not be discriminated against because of their age, and disabled individuals, who may not be discriminated against because of their disabilities. (Kingsley 119)

The Civil Rights Act of 1964 prohibits discrimination based on race, color, religion, sex, or national origin in employment decisions. When doing a large downsizing, consulting with an attorney on the legal aspects would be advisable. The St. Louis Post Dispatch reported on February 14, 1993 that:

the number of complaints and court cases had flourished over the past two years due to layoffs of employees because of their ages. One example was engineer, Al Rasipovits, who worked for McDonnell Douglas for almost thirty years before receiving a layoff notice

at age sixty-one. Mr. Rasipovits felt he had no other choice but take the early retirement offer even though he felt that he was being discriminated against because of his age. Even now, more than two years later, Rasipovits has not found a new job. (Goodman 1A)

A federal agency says that McDonnell broke the law by discriminating against its oldest employees and by intentionally laying off or forcing retirement on workers ages fifty-five and older. Since the February 14, 1993 article appeared, the EEOC and McDonnell have come to an agreement where McDonnell will be paying a lump sum to affected employees. In addition, they will be offering jobs to some of the over age 55 former employees (Goodman 8A).

McDonnell is not the only company where this is happening. Companies are doing consolidations and cost-cutting and in doing so there are thousands of employees being laid off. There is nothing wrong with corporations downsizing, but there is something wrong when the law has been ignored in selecting whom to discharge. Suits against other companies such as Wetterau and Union Electric are still before the EEOC (Goodman 1A).

"The federal Workers' Adjustment and Retraining

Notification Act of 1988 (WARN), which went into effect on February 4, 1989, requires employers with one hundred or more employees to give sixty day's written notice before commencing plant closings or large-scale layoffs" (Tracy 608). Under this law notification must be sent to the local government of the site that will be involved; although there are exceptions to this, such as hardship cases. If a union is involved, notification must also go to them. Some plants will have employees performing their job during this period whereas others will not. In some cases the employees will be paid for those days even though they do not actually perform their job (WARN Payments Offset Unemployment Claims 4).

International Layoffs

Layoffs are handled differently in other countries. Often the government will intervene to protect workers threatened with layoffs. "In France, a firm cannot reduce its work force without prior authorization from the government. If there are more than ten employees, the union must also be consulted" (Coulson 208-209). "The larger Japanese firms take responsibility for their permanent employees during

their entire working careers" (Coulson 211).

The stability afforded many Japanese employees has been one of the cornerstones of Japanese productivity and quality, resulting in flexibility in work assignments, loyalty and common fate, lower turnover costs, and continuous learning through horizontal career development. (Grayson, Jr. and O'Dell 172)

Canada has a unique situation which encourages employees to find a new job quickly. As is the case in any situation, the faster they find something, the faster they begin getting paid by the new employer. However, in Canada, in addition to getting their new salary, they also receive half of the severance due them.

The trend in Canada is toward month-to-month severance payments with an incentive clause which rewards quick re-employment by providing the employee with half the remaining severance if a new position is found before the last scheduled severance payment. Canadian firms find this to be an effective means for reducing the overall cost associated with dismissals. (Grayson, Jr. and O'Dell 172)

South American and European countries make it very difficult and time consuming for companies to reduce the number of their employees.

In the Netherlands government requirements make it time-consuming and difficult to obtain the necessary license to dismiss an employee. German employment law makes it difficult and expensive to terminate employees. Austrian companies have few restrictions if they want to terminate employees, but they do have to face financial penalties in the form of mandated severance pay of up to twelve months. They also have long termination periods of up to six months.

Argentinean law is strict regarding employee dismissals. Severance payments must provide one month's salary for each year worked, plus compensation for vacation time. One month's notice is required. (Outplacement Policies 1-4)

IBM is cutting back their staff by 700 in the Netherlands. The company has offered such an attractive bonus that 1,350 employees jumped at the offer and said they were willing to leave by 1995 (Elsevier 4). It appears that if the payouts are right and the company handles a cut back in the right manner, it can happen no matter what the laws stipulate. Drake Beam Morin found in a recent survey that:

52% of 400 of the largest companies in twelve European countries plan to cut their workforce by the end of 1995. This compares with 42% of the largest U.S. companies. Three-fourths of 80 German companies surveyed said they would reduce their local payrolls. (Over Half of Europe's Big Firms Plan Workforce Cuts 2)

Termination Interview

There have been many discussions as to when an employee should be terminated. Often this is done on a Friday. Others recommend that terminations be done early in the week and early in the day. Employees are then able to do something constructive about the dismissal immediately rather than be faced with a long weekend of idle time where that's all they can think about. The employee is able to make phone calls or send out resumes immediately without waiting until Monday morning (Morin and Yorks 122).

A career is a precious thing and the loss of a job a serious loss. When an employee is told that they are terminated, it is a shock. It may sound nicer when told that the company is downsizing, rather than, "You're fired"; but it is still a traumatic circumstance to deal with (Hosier 47). How the news is conveyed to an employee is very important.

Supervisors and managers must be taught how to break the news to their employees. A person can be devastated by this news, so it must be carried out effectively. This is one aspect of outplacement consulting that is of great benefit to managers and

others who will be the bearer of the layoff message (Morin and Yorks 121-122). Outplacement consultants can play a major role in preparing for the termination meeting. It is very important that the outplacement counselor know all the reasons for a termination, even the things that may be difficult to discuss such as previous violent behavior. This especially needs to be made known during the pre-termination meeting. If necessary an Employee Assistance Program counselor can also be on-site to counsel an individual after the termination meeting. Pre-termination counseling and on-site meetings are included in most outplacement service packages (Smith 6-7).

Managers should know how to handle and respond appropriately to various types of reactions. Peter Abeson, executive vice president of The Ayers Group, a New York-based management consulting firm specializing in outplacement and recruitment says that: "managers must realize that it is not their fault; it is not the employee's or executive's fault; it is just the way it is" (Smith 7). He describes the following four emotional responses and the best way to handle them:

Anger. The louder the employee talks, the softer the manager should talk. This is to

diffuse confrontation because the employee cannot have a one-sided argument.

Denial. Just because people have been told they have been fired does not mean they really believe it. Outplacement's role is to let individuals know that there is life after the company, as well as the importance of getting their lives back together as soon as possible.

Depression. If the response of the individual is that there is no sense of living after this point, it should trigger an immediate need for further help such as an EAP counselor.

Hysteria. Both men and women can overreact to termination news. A glass of water or a box of tissues handy may be helpful in such a situation. (Smith 7)

It is important that the manager delivering the message be trained appropriately to handle all kinds of situations. It is also helpful to have the termination process conducted in the same room so that the individual does not have to leave the room to meet with someone else. The manager, Human Resources representative, and the outplacement counselor can enter and leave the room, but the individual should stay in the same room. This can be helpful in diffusing the person's anger and also keep him or her from wandering about in the building if very upset.

Bearer of the Message

Any termination can be emotional. "Dismissing someone from work is a high-stress event. The manager doing the termination experiences stress both during the preparation stage and after the termination has been completed" (Morin and Yorks, Outplacement Techniques 1).

The person terminating another employee should anticipate shock, anger, and possibly tears. When handling the termination interview, the terminator must control his/her emotions. He or she should convey sorrow in having to terminate the employee, and convey a certain amount of empathy without being too emotional. They need to be prepared to answer the question, "Why was I chosen to be one of those terminated?" In addition, they need to be informed of the severance package that will be offered to the employee. An individualized benefits statement should be prepared, including insurance continuation, conversion privileges, and severance arrangements. A letter from a senior company officer which explains the need for the staff reduction should be included. The terminator must be clear in their delivery of the

situation. The interview should not be dragged out, but the employees should be given time to compose themselves if they are visibly upset (Morin and Yorks 148-149).

Perhaps the employee will be remaining on for a period before the actual termination date. During that time the employee should spend part of their time seeking new employment. This time period is very important to the employee who is to be terminated. It is helpful to not only give the employee time to do this during work hours, but also helpful to provide office space, copiers, telephones, and written references.

In some organizations, the job of terminating employees is done by Human Resources rather than the supervisor. At other times in a mass layoff situation, the news may be conveyed to a large group of employees at one time; although specific names should not be mentioned at this time. At such a time, it is important to talk to employees on a one-to-one basis. IBM's Hudson Valley downsizing, which adversely would affect the region's economy for years, followed the procedure described in Table 1 (Zetlin 29).

TABLE 1

IBM Downsizing Procedure

Before the Deluge. Starting last January, Hudson Valley employees were told about the projected downsizings and offered incentives to leave the company.

Clear criteria. The primary criterion in deciding who would be let go was job function, combined with past performance evaluations. This criteria was made public, so many employees were able to make educated guesses about their chances of surviving the cut.

Manager training. Managers received guidelines on how to best inform people, and how to work through the emotional reactions they could expect to encounter. To complicate matters, some of the managers involved were also losing their jobs.

First thing Monday. The downsizings began Monday, March 29. A Monday was chosen so that those affected wouldn't be alone during the weekend without support.

Everyone included. Every IBM employee, downsized or not, was called into his or her manager's office to discuss job status. Those who were being let go received written information about their salary and benefit options. They then received an initial outplacement orientation.

Outplacement structure. The following day, every affected employee was invited to a job search workshop and a schedule was set up for forthcoming workshops and training.

A weaning process. IBM and DBM plan to close the career centers by the end of September. In the last weeks that the center will be open, DBM will schedule discussion groups on "How to Use Your Home as a Career Center."

SOURCE: As cited in Management Review by Minda Zetlin (1993).

Severance Package

"Severance pay policies vary dramatically from company to company, with executives in some industries receiving more favorable treatment than others" (Severance Policies 2). In constructing a successful severance package there are five main points to consider: length of service, age, unemployment benefits, health and life insurance, and prevailing severance standards (Kingsley 33). There are two general categories to consider, cash and noncash compensation. At this stage the severance packages differ considerably from company to company. Some firms give employees two weeks pay for every year of service and others give as much as a months severance for each year worked. Others give two weeks severance. Still others give the employee nothing, stating that their last day is today and they should clean out their desks and leave. Because the government uses the age of forty as a factor in employment and termination, some companies provide an allowance for age at termination. This is done in view of the possibility of suit because of age discrimination. A percentage of payment is added to the original base amount if the

employee has not found a position within a stipulated amount of time (Kingsley 35).

In the 1986 Drake, Beam, Morin survey of 244 companies, the participating companies reported a wide variety of approaches to determining duration and severance pay. Factors considered were: length of service, salary level, combinations of service and age, pay in lieu of notice, and vacation pay. The most popular approaches appear in Table 2 (Morin and Yorks 19).

Recent national survey data identified practices at 494 companies in more than 30 industries.

Highlights of the survey showed the following:

- most organizations in the private sector have provisions for paying severance to employees who are terminated as a result of reorganizations or lack of work.
- most companies have formal, written severance pay policies.
- except for new hires, all levels of involuntarily terminated employees are usually eligible for severance.
- whereas some employees may be covered by severance pay policies as of their hire date, others may not be covered for as long as the first thirty-six months of employment.
- severance pay is usually determined by a formula based on length of service. The most

common policy is one week for each year of service.

- other than COBRA, most companies do not otherwise provide benefits after termination.

- the most common method of severance pay is in a lump sum.

- most executives are offered professional outplacement services and other types of termination support. (Severance Policies 2)

TABLE 2

Representative Severance Package Formulas

One month's salary per year of service with a maximum of twenty-four months.

- Exempt - two weeks' pay per year or four weeks' pay per year based upon a salary level cut-off amount
- Nonexempt - up to one week's pay per year of service
- Senior executive level - six-twelve months salary depending on circumstances and level
- Executive level - normally six months' salary

Two weeks' salary for each completed year of service with a maximum of fifty-two weeks.

Years of service multiplied by 1.5 determines the number of weeks of severance pay.

SOURCE: As cited in Dismissal by William J. Morin and Lyle Yorks (1982).

In a survey conducted by Hewitt Associates they found that a week's pay for each year's work was the

most common severance pay arrangement in the U.S. (Severance Pay Arrangements in the U.S. 5).

The government requires that medical benefits be offered to terminated employees. The Consolidated Omnibus Budget Reconciliation Act (COBRA) is a government-mandated plan which permits workers to buy insurance coverage under a former employer's health plan for eighteen months after leaving the company (Hosier 230). Some employers will pay for this for the employee for a short period after the employee is let go; however, it is not required that they do so. Usually the unemployed person must pay for this insurance if they are to maintain their coverage.

It is to the advantage of the company to have the unemployed worker find a new job as soon as possible. Therefore, if the company is giving the worker advance notice of the layoff, some of the employee's time on the job should be given to find a new job. This will be advantageous upon dismissal for the employer as it will not be necessary for the employee to draw unemployment compensation if they have a new job.

Outplacement firms assist employees in finding new employment by focusing them immediately on the need by psychologically preparing them for a new beginning.

Trauma of Termination

Even when employees anticipate termination, the announcement can be very traumatic. Over the past several years many companies have gone through restructurings. Employees in many of these companies and others have often felt that their time would eventually come. Rumor mills often cause employees stress in thinking about the possibility of job termination. The trauma caused by the announcement of termination can provoke negative emotions and hostile reactions. The 24-hour period following a termination should be considered a crisis management situation (Dawson and Dawson 11).

The trauma can cause anger which can lead to violence. Violence in the workplace has infiltrated all aspects of American life, including work. "Among all United States workers, homicide is the third leading cause of death in the workplace" (Smith 6). Many things lead to violence at work, including personality conflicts, family and marital problems, and incidents related to drug or alcohol abuse.

Seven percent of the incidents are related to firings or layoffs. With continued streamlining efforts among companies to

remain competitive and the need to terminate employees, employers must take a close look at how they prepare for and handle separations and layoffs as one way to reduce the possibility of violence.

Outplacement can be critical in avoiding or diffusing violent reactions during employee separations. This is not limited to lower-level employees, but applies to executives who have been known to lash out after being told they no longer have a job as well.

The purpose of having an outplacement consultant on-site immediately following a termination is to deflect the individual's anger away from the company by getting him or her to start focusing right away on future career plans. (Smith 1, 6)

Handling Employees at their Level

Employees should be addressed at their organizational level. For instance, dealing with a first line supervisor may be different from an upper level manager or a production line worker. Packages put together for the Senior Executive may differ from managers and supervisors. When looking at outplacement, one may offer the Senior Executive a full service where the outplacement firm provides an office and clerical support until they find another position. In addition, the severance amount given may equal as much as a year's salary and other special benefits. Drake Beam Morin states that the average time for a

Senior Executive to find a new job is 7.2 months. Individuals earning between \$70,000 and \$80,000 took 7.5 months (White Collar Job Search 1).

The executive career transition program may provide spousal support. The spouse of the terminated employee is provided with counseling and given a listening ear to vent personal fears and anxiety. Often in today's business world families have dual careers. Therefore, relocation is not as simple as one member obtaining a job in a distant city. Some programs are designed to assist not only the terminated employee, but also the spouse in finding a suitable position (Morin and Yorks 199-200).

Other management and supervisory personnel may be allowed an outplacement package for a certain number of months. In addition, they may receive a cash settlement based upon the number of years employed. Their program may not be as elaborate as the executive program, but usually the major topics and areas will be provided.

Lower level employees may be provided assistance through group sessions offered by outplacement firms. These may be divided between the more skilled technical workers and the less skilled.

Group sessions are particularly useful and economical when there is a plant closing or major lay-off. These can be provided to not only salaried employees, but also hourly employees. "For blue-collar workers, other firms provide group counseling and job fairs. According to the Wall Street Journal, many major corporations such as Goodyear, Firestone, Jones Laughlin, and Colonial Penn have used job counseling firms for blue-collar workers during periods of layoffs" (Coulson 37-38).

Career Centers

Some companies go another step beyond using an outplacement firm. They make a career center available on site for employees to use or may have one set up near by. Employees usually have access to computers, telephones, secretarial services, counseling, and other professional assistance provided especially for them. The center can be very effective and many employees find new positions through this avenue. Weekly programs are often presented by outside experts focusing on topics such as the "worker re-entry program", coping with stress, financial concerns, career transitions, and job trends. Group sessions

allow people to talk about their concerns, tell how their job search was going, and what their frustrations are (Wolf interview).

Stress Counseling

Stress is an area that needs to be dealt with for both terminated employees as well as those that will be remaining. It is a subject that can be capably handled by the outplacement firm. Terminated employees will feel the pressure of finding a new job. There will be feelings of failure and the fear of not being able to provide for their family (Stanton 778).

During a reduction of staff over communication is impossible. Clear, frequent, accurate, and timely communication is a must. Often the ability to maintain employee dignity and minimize legal and public relations exposure is hampered by poor communication (Brockner 9). During transition, anxiety is high. Individuals want to be involved in the change process and understand what is happening. At this time there is definitely an increased need for information.

When there is a sizable reduction of employees usually a general announcement is made followed by meetings with affected employees (Albrecht 5). There

should also be follow-up-meetings with the retained employees. Again, communication is of utmost importance. They need to know how the restructuring is going to affect them and the changing scope of their job. Feedback is also important at this stage. People need to be able to talk. It may be that management needs to make a special effort to be available to answer questions and help employees through this difficult time (Albrecht 5).

Help for the Post-Layoff Survivors

Another significant reason for providing career counseling and outplacement service is to provide support for the employees remaining after the workforce reduction. The employees that remain after a reorganization need to be motivated, have a career that has meaningful goals, and feel that there is hope for the future. Outplacement can assist in alleviating their stress as it does the stress of those that have been terminated.

"Downsizing is a time when a company needs the commitment, energy, and creativity of its employees. Yet often during downsizing, the people with the critical skills and the most experience, your best and

brightest people, will take off" (Newman 58). It is a false assumption that the weak employees will leave first. The best people will be the ones that get job offers first. They are the ones that recruiters will contact and try to lure to other firms. Therefore, if these employees are to remain, "the way downsizing is handled is crucial" (Newman 58).

"Survivors commonly are plagued by serious performance, morale, and productivity problems, yet few managers provide emotional assistance to them because of misconceptions about corporate change and its effects" (Morin 15). Management needs to cut operating costs, but they also need to preserve the loyalty of the remaining employees. It is necessary to keep superior products coming off the production line and provide the needed services that customers require.

With a decrease in head count, "more and more people are chasing fewer and fewer promotional opportunities. The '90s will present us with distinct employee constituencies whose career goals we will have to satisfy somehow...the question is, how" (Yate 127)? The company must have a strategy, making it clear what the goal of the work-force reduction is. "There must be a focus on corporate revitalization if the

envisioned benefits are to be realized" (Morin and Yorks, Dismissal viii). It is not enough for management to feel that the remaining employees are just glad to have a job. This is a false supposition.

"Reconciliation works when there is walk-around management. Top managers must be out among employees, listening, showing empathy, acknowledging the value of the old while reinforcing the need for change" (Morin 15).

In spite of fewer employees, it is necessary for succession planning to be continued. Employees need to feel that their career has not come to a screeching halt even in the trauma that has hit the company. Career paths are necessary for most employees, although some may be very satisfied to remain in their current position for years. Corporate goals need to be established and a timetable developed. Employees need to set personal objectives as well. "Managers must pay close attention to the survivors. All the restructuring in the world won't make employees want to help the company if they cannot get past their own fears and concerns" (Morin 15).

Positive Image in Community

Not only do remaining employees need to be reassured at this point, but companies need to keep a positive image in community. Despite cuts at TRW Space and Defense Sector the company moved ahead with programs such as on-site day care, leadership and management development, and a housing assistance program to aid employees buying homes in the area for the first time (Drake 32). Even when cuts have been made in companies, there will be hiring. Companies need to be able to attract personnel and promising young people in such careers as engineers and scientists. Without continued review of company benefits, attracting key personnel may be difficult.

After the downsizings many corporate "survivors" often feel like they are very much alone trying to keep the office/home fires burning. They feel overworked because they have to take up the slack caused by the loss of many co-workers, and they experience an emotional roller-coaster ride while they try to cope with corporate change. (Home Alone 1)

Alternatives to Downsizing

While eliminating employees may be necessary in many situations, there are other alternatives to

downsizing. If there are excess employees in one area, consideration should be given to transferring them to another job in either the same or a different department.

Early retirement is another consideration in the case of an older worker. "Bumping is used to shift people about in order to make room for several employees with one job less" (Kingsley 80). Attrition is used in some companies. This reduction of employees comes through resignations, retirement, or death without replacing the workers. Hewitt Associates reported that their survey indicated that: "more than 90% of employers had tried to limit layoffs by such alternatives as hiring freezes, attrition, transfers, early retirement, or voluntary separation packages" (Severance Pay Arrangements in the U.S. 5).

Some companies downsize through getting rid of all temporaries that may be working. Others have contract workers that can be terminated when their contracts expire. It also may be possible to "buyout" the contract worker according to the terms of the contract (Kingsley 81).

If workers are terminated there are other alternatives to outplacement. As already discussed,

some companies choose to do nothing but give an employee a pink slip on their last day of work. That and the employee's last pay check is all that is given.

Other companies, realizing that outplacement is important feel that the lack of funds prevent them from providing this service from an outside company elect to develop their own program. The key to this type of an in-house program is having appropriate staff to support it. Not only must the staff be trained in this area, but the company will need the facilities and equipment to support such a program. In-house or off-site career centers are possibilities in this endeavor.

Most states provide worker re-entry programs. These programs assist workers that have been laid off in getting back into the work place. This is done through placement as well as retraining for a new line of work. Counseling and re-employment seminars are provided to these individuals. The seminar covers areas in resume preparation, marketing of the individual, interviewing skills, job market exploration, telephone techniques, and other helpful information for use in a job search (Worker Re-Entry 2).

The Missouri program provides free tuition for

job-related, short-term training where funds are available. If an employer hires one of these workers and has to retrain them, the program may provide that employer reimbursement for up to fifty percent of the newly hired employee's wages during that training period (Worker Re-Entry 2).

Job training is an avenue that is being used by the government. President Clinton is proposing a major overhaul to make it easier for laid-off workers to get training and counseling services along with their unemployment checks. There are pros and cons as to the benefit of job training. Labor economist, Louis Jacobsen, says that while job training may be beneficial to ten percent of laid-off workers, it isn't of help to the rest (Nicklaus 1E).

There is not one intervention that will help all laid-off employees. In all cases, the optimum goal is to get the jobless person back to work as quickly as possible. The best way appears to be through the use of the outplacement industry. It is a growing industry. In North America the growth has gone from about 50 outplacement companies in 1980 to approximately 230 in 1991. Sales have increase from \$50 million in 1980 to \$660 million in 1991. This

increase shows that many corporations do see the value these firms offer when it comes time to reduce the size of their employee headcount (Cowden 69).

Summary

In review of all the options companies have in terminating employees, the best way is to do it as humane as possible. Although the option of just letting employees know that it is their last day and giving them a final paycheck may appear to be the most cost effective way to handle the situation as well as getting the employee out of sight as fast as possible, it does not really seem to be the way that most companies handle it in today's business environment.

As has been stated previously in the discussion most organizations today have some provision for severance and some type of outplacement policy. The research has shown that outplacement companies are of benefit to the employer as well as the employee. It provides terminated employees with a new focus in putting their lives back together, building up their self image, and getting on track in finding a new job as soon as possible.

The benefits to using career transition counseling

gives an advantage to the company, the employees who remain, and to the individual leaving the organization. Whether a situation of terminating one employee or many, outplacement provides a way to take decisive action where appropriate in terminating employees legally and sensitively. It assists with minimizing the legal risks in the termination process which can cost a company hundreds of dollars if not handled properly. It can reduce these costs by training managers in how to release employees humanely and legally, diffusing the employees' negative feelings and focusing them on the future, and helping the employees make a career transition more quickly (Benefits of Career Transition 2).

The image of the company in the community is preserved as it sees that the terminated employees are treated with respect and fairness which shows that the company does care for its employees. Remaining employees can rest easier knowing that they too will be treated fairly in the future. This helps the morale of those employees left.

Career counseling will benefit the individual in many ways. Not only will it help them focus on the future rather than on the loss of their job, but will

also help them overcome the negative effect and gain a positive outlook on the event. It will help them focus on their career goals immediately and learn new ways of securing employment, including developing a network. Outplacement can provide a structured environment for support during this transition period. Because there is a focus, results are likely to be achieved more quickly. With professional guidance of career assessment, preparing a resume, fine-tuning interview skills, and preparing to market themselves, the individual can get on with the rest of their life more quickly (Individual Career Process 6-10). It is, therefore, hypothesized that outplacement is beneficial to both terminated employees and the company releasing them. This will be tested and reviewed in the following survey.

Chapter III

RESEARCH METHODOLOGY

Subjects

One hundred thirty-three organizations within the St. Louis, Missouri metropolitan area were randomly selected from the 223 Human Resources Management Association (HRMA) member roster to receive an Outplacement Questionnaire (Appendix A) in April 1994. Details regarding the firms, such as number of employees, industry, and company sales, were unknown prior to the mailing of the surveys. Surveys were mailed out, along with a self addressed stamped envelope, to the human resources officials of these organizations selected from the HRMA directory. The directory provided the individual's name and title, along with the firm's address. HRMA is an organization of human resources personnel within the St. Louis metropolitan area who meet regularly for seminars and to discuss human resource issues and trends. It provides the opportunity to meet with other human resource professionals. It is the local branch of an

international organization called the Society of Human Resource Management (SHRM).

Industries represented in the sample included manufacturing, services, healthcare, agriculture, finance, education, high technology, publishing, and transportation (Figure 1). The response rate to the survey was 37.6 percent with 50 out of the 133 surveys returned. This good response rate may have been due to the surveys being directed to a specific individual rather than to a position within the company.

The respondents of the Outplacement Survey, Survey I, ranged in age from 25 to over 55 as seen in Figure 2. The age range of 25-35 consisted of 4.6 percent; age group 35-45, 46.5 percent; 30.2 percent, ages 45-55; and 18.7 percent, over 55. There were 51.1 percent male respondents and 48.9 percent female (Figure 3).

Nearly half (48.9 percent) had either a post-graduate degree, either a masters or doctorate. Another 21.3 percent had taken some graduate courses and 27.7 percent were college graduates with the remaining 2.1 percent having some college (Figure 4). These totals revealed that approximately 98 percent of the respondents held either a college or post-graduate degree.

Figure 1

Industry Sectors of Participating Companies (Survey I)

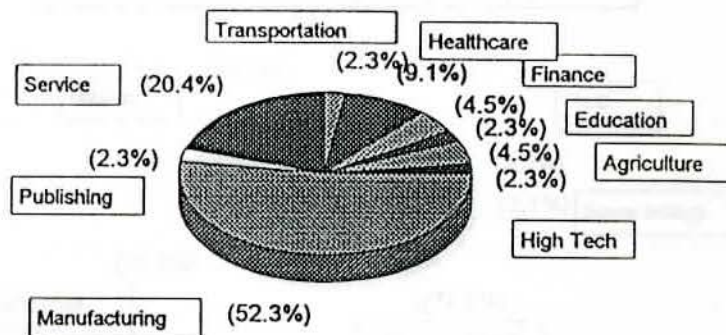


Figure 2

Age of Respondents (Survey I)

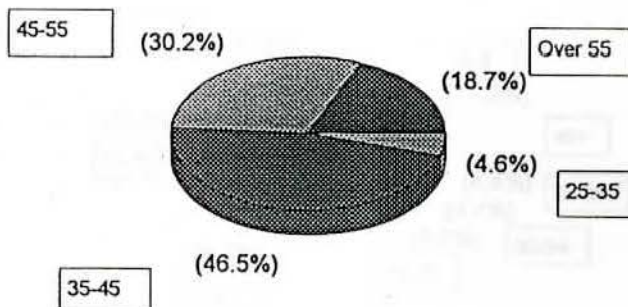


Figure 3

Gender of Participants (Survey I)

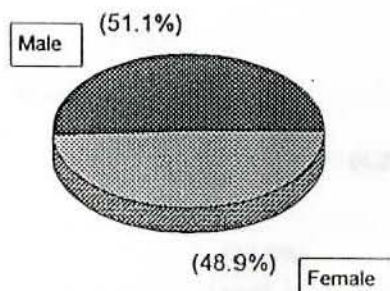


Figure 4

Education of Participants (Survey I)

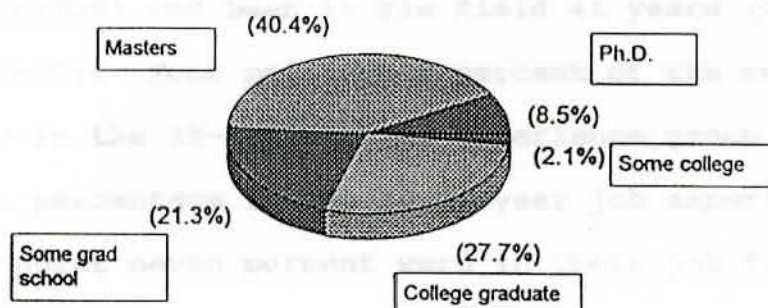


Figure 5

Years Experience in Field (Survey I)

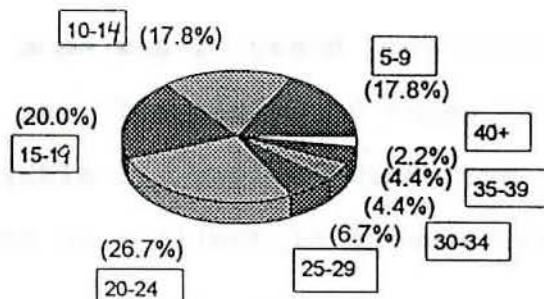
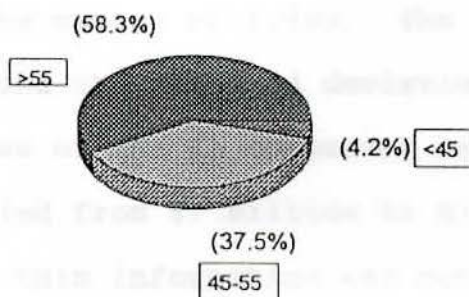


Figure 6

Age of Participants from Outplacement Firms (Survey II)



The 45 people who specified the number of years in their field ranged from five years to 41. One individual had been in his field 41 years (2.2 percent). Four point four percent of the respondents were in the 35-39 year job experience group and the same percentage in the 30-34 year job experience group. Six point seven percent were in their job field 25-29 years, 26.7 from 20-24 years, 20 percent 15-19, 17.8 from 10-14 years, and 17.8 percent with five to nine years experience in their field (Figure 5). The mean of the years of individuals in their field was 17.9 years, the mode was 20 years (ten people), and the median was 18. The titles of these individuals are listed in Table 3. Twelve point five percent participated as a client in an outplacement program themselves.

The size of the companies varied from 2 employees to 50,000. The mean of the 38 companies responding to this question was 5,419 employees with the mode of 5,000, and the median of 1,550. The variance was 113,727,250 and the standard deviation 10,664.

The sales of the 23 companies responding to the question varied from \$7 Billion to \$363,000. Many replied that this information was confidential and did

not specify sales. The average sales of those responding to the question was approximately \$73.5 million.

The Questionnaire to Outplacement Firms, Survey II, was mailed to executives of 89 Outplacement companies. The response rate of this questionnaire was 26.9 percent with 24 of the 89 firms responding. Results showed that 58.3 percent of those responding were over the age of 55 with 37.5 percent from ages 45-55 and 4.2 percent 45 or under (Figure 6). It should be mentioned that the demographic data received from the questionnaires are not intended to be compared, as the questionnaires were sent out to different levels within the organization. This is seen in the positions detailed in Tables 3 and 4. Therefore, it may be expected that individuals at the executive level, to whom Survey II was sent, may represent an older population, as indeed it did.

Men represented 83.3 percent of those returning Survey II (Figure 7) with women representing 16.7 percent. There was a variance of 2,224 and a standard deviation of 47.16. Those holding graduate degrees, masters or doctorate, included 50 percent (Figure 8), with a variance of 10.7 and a standard deviation of

TABLE 3

Titles of Survey Respondents to the
Outplacement Questionnaire (Survey I)

<u># of respondents</u>	<u>Title</u>
1	Owner
2	President
3	Senior Vice President, Human Resources
1	Vice President, Manufacturing
4	Vice President, Human Resources
14	Director, Human Resources
1	Director, Compensation and Benefits
1	Director, Personnel Administration and Benefits
2	Director, Personnel Services
1	Corporate Manager, Human Resources
10	Manager, Human Resources
1	Manager, Human Resources and Payroll
1	Manager, Employee Relations
1	Manager, Compensation
1	Human Resources Leader
1	Personnel Specialist

TABLE 4

Titles of Respondents of Questionnaire
to Outplacement Firms (Survey II)

<u># of respondents</u>	<u>Title</u>
1	Owner
4	Chairman of the Board
1	Principal, Co-founder
1	Partner
15	President
1	Managing Director
1	General Manager

Figure 7

Gender of Participants (Survey II)

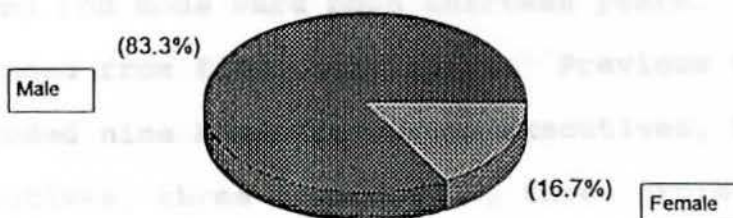
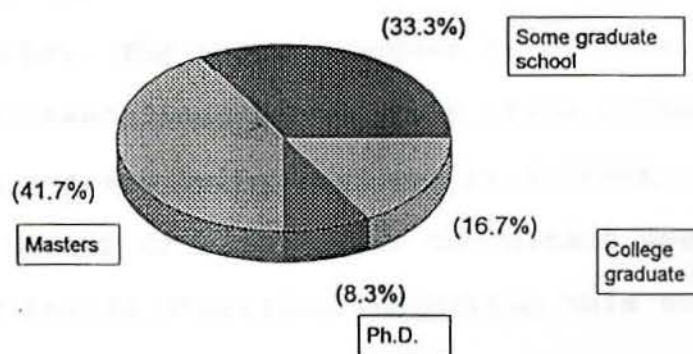


Figure 8

Education of Participants (Survey II)



3.27. The titles of these individuals are listed in Table 4. The mean number of years these executives had been in the outplacement field was twelve years. The median and mode were both thirteen years. The range extended from five to 22 years. Previous occupations included nine human resources executives, two corporate executives, three consultants, three professors, three marketing persons, a psychologist, a YWCA program developer, and a military person.

Data from Survey II showed the average number of consultants in an office to be 24.2. The range extended from three to 250. There were small companies with only one office and larger ones with as many as 160 offices. The average number of offices was 18.7. The consultants load ranged from three clients to 35 with the average being 18.7 per consultant. The mode for the number of clients per consultant was 20 with seven of the 18 companies indicating this number.

Instrument

The two survey questionnaires (Appendix A and B) were distributed by mail in April 1994. Appendix A or Survey I, Outplacement Questionnaire, was sent to 133 companies within the St. Louis metropolitan area.

Questionnaires were completed by the recipients and returned in a self addressed stamped envelope.

The questions of Survey I focused on whether the company had experienced a restructuring or downsizing. Questions included the recipient's experience in managing restructuring, as well as the results of services provided, if any were furnished. The questions included what outplacement firm was used, if any, whether the company provided a career center, cost of the service, whether outplacement was provided for select employees or all that were affected, and reasons the company provided outplacement service. In addition, questions were asked about the cost effectiveness of providing this service and whether they felt the cost was justified and why.

Appendix B, Survey II, is the Questionnaire to Outplacement Firms. This was mailed to 89 outplacement firms throughout the United States.

The questions on this survey approached the service of outplacement from the viewpoint of the provider. It asked what they felt was the criteria that client companies used to select an outplacement firm, how long it took terminated employees to find new positions, and reasons outplacement is used.

The data were collected as companies returned the questionnaires by mail. They were input into the computer to be readily available in one location. Numerical data were entered into Lotus 1-2-3 for easier calculations.

Procedure

Instructions at the beginning of both surveys explained the purpose of the questionnaire and requested it be returned within one week of receipt. Calculations of results are based on surveys returned within a four week period.

The administration of the questionnaire was done by each recipient on his or her own. Because it was sent by mail, location and time was not controlled. Individuals completed the form and returned it at will.

The information from both surveys has been analyzed and put into a report (Appendix C). Participants of both surveys were asked to add their name and address and specify if they would like to receive survey results. The respondents of the outplacement questionnaire who requested that data were sent the report. One hundred percent of the outplacement firms requested the information, whereas

only 38 percent of the participants of the companies responding to Survey I requested the findings.

Data analysis

The study was designed in the form of two questionnaires. These were fashioned to obtain detailed data regarding companies' usage or non-usage of outplacement firms when they terminated employees. Questions were asked to determine if they had experienced a restructuring or downsizing, and if so, if they used an outplacement service. It also requested information regarding their experience in managing restructuring and other pertinent information to the subject.

The data received from both Survey I and II were entered into Lotus 1-2-3 and verified for accuracy. By listing the data in this program, it was easy to sort it to determine the mean, mode, median, variance, and standard deviation. This was of particular importance in calculating the demographic data. Coding the alphabetical data helped in sorting the information on outplacement firms, reasons for using outplacement, and elements in the outplacement program.

Consistent patterns were determined and details

organized to reveal the results of the data. The data were analyzed and put in written format, some verbal, and other in the form of tables, figures, and graphs. The details were summarized and written.

Chapter IV

RESULTS

Outplacement is one of the more recent developments in the field of human resources. The longest any person responding to Survey II has been involved with an outplacement firm is 22 years. The average length of time the respondents had been in the outplacement industry is twelve years (Figure 5). There has been an increase in outplacement usage over the past 20 years, although some firms indicated that it decreased slightly during the past year (Table 5).

TABLE 5

USAGE OF OUTPLACEMENT (Survey II)
Number of Responses

<u># of Years</u>	<u>Increase</u>	<u>No Increase</u>	<u>No Response</u>
20 years	15	3	6
15 years	21	1	2
10 years	22	1	1
5 years	20	2	2
1 years	15	7	2

The information collected profiles activities and operations used to transition employees. Of the companies responding to Survey I, 78 percent had gone through one or more restructurings or downsizings

within the past ten years. Many had experienced this phenomenon several times, not just once. Eighty-one percent had reduced their headcount during this period. Others dealt with the restructuring by not replacing employees who left or reduced the hours of employees.

The number of employees released by companies responding ranged from one to 15,000, with a mean of 795, a variance of 8,109,058, and a standard deviation of 2,848. This was accomplished mainly through termination, layoff, attrition, and retirement. Of these companies, 79 percent provided outplacement service for terminated employees with 77 percent being from outside outplacement firms, 23 percent from in-house outplacement.

The reasons for not using an outplacement firm in assisting terminated employees included three companies saying it was the high cost, one company sticking to their old way of handling such events which did not include outplacement, two using an in-house service, one company who had employees retiring so the service was not necessary, and another said it was not necessary due to the nature of their headcount reduction.

Drake, Beam and Morin was used by 64 percent of

the companies designating the firm they used. Fifty percent used Human Resource Management Corporation, 22 percent Right Associates, and fourteen percent Lee Hecht Harrison. Firms used are listed in Table 6. Forty-three percent of the companies used more than one outplacement firm.

The criteria for choosing an outplacement firm varied considerably. The number one factor was cost effectiveness (24.3 percent), as seen in Table 7, followed by the reputation of the firm, quality of the service provided, and location. Other factors included range of services offered, skilled counselors, facilities and resources, results, flexibility to meet the company's needs, and career center availability.

TABLE 6
Outplacement Firms used by Participants
in Survey I

Drake Beam Morin	64%
Human Resource Management Corp	50%
Right Associates	22%
Lee Hecht Harrison	14%
AAIM	7%
Davis & James	4%
Grant Cooper	4%
Wm Meyer Career Counseling	4%
J.Reed Belt & Associates	4%
State of Missouri	4%

TABLE 7

Major Criteria Used in Selecting
Outplacement Firm (Survey I)

Cost Effectiveness	24.3%
Reputation of Firm	15.2%
Quality of Service	13.6%
Location	12.1%
Range of Services Offered	10.6%
Skilled Counselors	9.1%
Facilities/resources	6.1%
Results of services	4.5%
Flexibility	3.0%
Career Center Availability	1.5%

Survey II provided the criteria that outplacement firms felt were important in the selection process used by companies. The number one criteria they indicated was the range of services available versus the cost selected by the actual companies using outplacement firms. Range of service was followed by quality of service, skilled counselors, cost, location, reputation, availability, facilities and resources, results, trust, and networking (Table 8).

Ninety-seven percent of the corporations felt the outplacement program was helpful to employees leaving their company and 93 percent felt that the terminated employees appreciated the use of the service. Seventy-seven percent felt the program was helpful to the

remaining employees in maintaining a positive attitude through a difficult period. One hundred percent felt the outplacement program addressed the concerns that were most important to them.

TABLE 8

Major Criteria Outplacement Firms Indicate Used in Selecting Their Service (Survey II)

Range of Services	19.6%
Quality of Service	16.4%
Skilled Counselors	14.8%
Cost Effectiveness	13.1%
Location	11.5%
Reputation	6.6%
Availability	4.9%
Facilities/Resources	4.9%
Results of Services	3.3%
Trust	3.3%
Networking of Job Opportunities	1.6%

Outplacement companies in Survey II indicated that 100 percent of the employees appreciated the use of their services. The survey also showed that 69 percent of companies provide outplacement for executives, 53 percent to all exempt employees, and approximately 29 percent to all employees.

The number of displaced employees that found new positions through outplacement averaged 70 percent in Survey I. This corresponded similarly with the results

of Survey II which resulted in approximately 74 percent finding positions within six months.

Only one company indicated they would not use the same outplacement firms again if they had another staff reduction. This company felt the company used had changed the quality provided to clients. Two companies indicated they may use the same company; however, they would get competitive bids prior to making their decision. Reasons for staying with the same firms included: the outplacement company had done a great job for them, familiarity with the "drill", performance met expectations, effectiveness, good feedback and appreciation of the program by participants, working relationship already established, strong performance, and good results.

The cost of outplacement varies considerably. Out of the 50 companies responding to Survey I, the majority did not answer the question regarding the cost of the service. Of the sixteen that did, the average cost of the service for employees, excluding top executives, was \$2,359. Two companies responded that their cost was fifteen percent of the employees' compensation.

In Survey II respondents indicated that the

average cost per individual in a group session is about \$672. This cost varies depending on the number in the group, the length of the seminars, and the follow-up counseling provided. The cost per individual on a one-on-one basis averages about \$4,700 (excluding senior executives) with a range of \$2,250 to \$8,000. The average cost for a senior executive is about \$11,500. Costs provided were estimates, as most companies base their rates on the individual's gross salary. Percentages ranged from ten to 20 percent. Some include bonuses and other parts of the compensation package when figuring their rates. The range of the cost was from \$3,000 to \$25,000.

Forty-five percent of the outplacement companies indicated it takes one to three months to find a new position and 55 percent from three to six months (Figure 9). According to the survey the average executive takes from one to twelve months to find a new job with 52 percent of the total from six to nine months (Figure 10).

Eighty percent said they felt that outplacement was cost effective for the purpose it was used for. Fifty-five percent felt that their company saved money by using an outplacement firm, with 45 percent saying

"no" to saving money using outplacement. In spite of the fact that the company may not be saving money, it appeared that in the long run it was the best way to handle employee cuts effectively.

Ninety-two percent of the outplacement firms felt that in the long run companies saved money by using outplacement. One firm commented that outplacement had become a cost of doing business as an expense reduction technique. The main reasons for feeling the way they did are listed in Table 9, with the top reason being a genuine concern for the individual being discharged.

In choosing an outplacement company the following reasons listed in Table 10 were given as to why these companies selected an outplacement firm to assist with their staff reduction. The top consideration was the feeling that it would help the morale of the employees retained by the company. In responding to the ranking of the elements provided as a part of the outplacement program, Table 11 details the main provisions.

Career centers are growing in popularity and 25 percent of the companies used them to assist employees in finding new positions. Firms in Survey II estimated the average number of companies using career centers to be 20 percent.

Figure 9

Length of Time for Average Non-Executive to Find Position (Survey II)

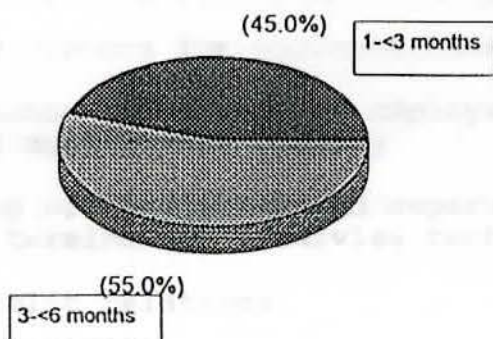


Figure 10

Time it takes Average Executive to Find New Position (Survey II)

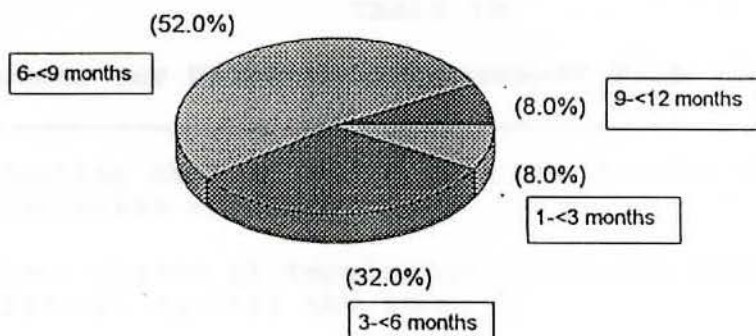


TABLE 9

Reasons Companies Use Outplacement (Survey II)

1.	Genuine concern for employee/humane treatment	54%
2.	Less chance of terminated employees filing a lawsuit against the company	38%
3.	Training of management and supervisors on proper termination interview techniques	38%
4.	Good public relations	33%
5.	Feeling that it would help the morale of the employees retained	29%
6.	Less unemployment compensation paid out	17%

TABLE 10

Reasons for Using an Outplacement Firm (Survey I)

1.	Feeling that it would help the morale of the employees retained	46%
2.	Less chance of terminated employees filing a lawsuit against the company	40%
3.	Good public relations	30%
4.	Training of management and supervisors on proper termination interview techniques	22%
5.	Right thing to do for the employees that are terminated	18%

Outplacement firms determined their performance in assisting displaced employees primarily through evaluations and feedback from the candidates. Although some received feedback from the companies hiring them, one respondent said that once the terminated employee is in their hands, the company no longer wants to think about them. That did not seem to be the feeling of others who stated that the primary reason companies use outplacement is because of genuine concern for the employee. Other factors used to determine success are the quality or level of job the person gets and if it matches the objectives set early on in the search, placement rate, no lawsuits, repeat business from sponsoring companies, survivors attitudes, and annual follow-up. One firm indicated they did not determine their success.

TABLE 11
Elements of Outplacement Program

ELEMENT	VERY HELPFUL	HELPFUL	LITTLE HELP	NOT HELPFUL
Resume Preparation	19	6	0	0
Network Preparation	11	14	0	0
Interview Training	17	7	1	0
Campaign Planning	13	10	2	0
Morale of Remaining Employees	6	15	1	1
Reduction of Legal Recourse	5	10	7	0
Mean	11.83	10.33	1.83	.17
Variance	5.36	2.18	1.16	.03
Standard Deviation	2.32	1.48	1.08	.17

Chapter V
DISCUSSION

Summary

Outplacement has experienced rapid growth since its beginnings in the 1970s. Whereas in years past this service was used mainly for the termination of employees because of performance problems, it is now being used in areas of eliminating unneeded positions due to numerous reasons, usually at no fault of the employee.

Seventy-eight percent of the returned surveys indicated that the company had gone through a restructuring or downsizing within the past ten years. With many of these companies going through this more than once, it revealed that downsizing appears to be a happening that has continued, and will continue as companies make changes. Shifting of personnel and letting employees go is part of business. One respondent in Survey I indicated that whatever the cost in dollars, outplacement should become a part of the cost of doing business. Eight-one percent had reduced their headcount in the restructuring process, numbers ranging from one to 15,000. Others dealt with

reorganization and reduced staff through attrition with no replacement, retirement, early retirement, and reducing the hours of employees.

In letting employees go, 77 percent of the companies engaged the assistance of an outplacement company. Because of the threat of terminated employees suing the company due to their termination, many companies felt the advantage of having an outplacement firm deal with the employees would save them money in the long run. In addition, these employees would be focused on the future in the direction of finding new employment rather than dwelling on the past.

Cost was the top consideration (24.3 percent) of a company selecting an outplacement company (Table 7). This was followed by the reputation of the firm, quality of service provided, and the location. To some, having locations in other parts of the country was important. Cost was fourth (13.1 percent) in the list of reasons outplacement firms felt was important to companies in the selection process (Table 8).

Other criteria companies used included the reputation of the firm, quality of the service provided, location, range of services offered, and skilled counselors. The top six reasons selected by

companies are the same top six reasons that outplacement firms selected as the major criteria they felt companies used in their selection (Table 7 and 8).

Since only one of 27 companies (3.7 percent) indicated they would not use the same outplacement firm they previously used, it appears that the firms were successful in meeting the needs of the companies that selected them. The survey indicated that 70 percent of the displaced employees found new positions, compared to the 74 percent reported as successful by the outplacement firms. Survey II results showed that 45 percent of the non-executives found new positions in less than three months, with the remaining 55 percent from three to six months. Although six months appears to be a long period without a pay check, severance and unemployment compensation do fill in the gaps in many cases. The executive takes from one to twelve months to find a position. In these cases, however, they usually have a larger severance package.

Ninety-seven percent of the corporations felt the outplacement program helped those people that were discharged. It was also felt that 93 percent of those receiving the benefits of the program appreciated it. Not only was it helpful to the employees leaving the

company, but 77 percent felt the program was helpful to the remaining employees in maintaining a positive attitude toward the company, as well as the morale of those employees. Outplacement companies responded that 100 percent of the departing employees appreciated the services, which could be expected as their response in that they provide the service.

The average length of time that the respondents in Survey II had been in the industry was twelve years. Since the industry began in the 1970s, it would be reasonable that the maximum time was 22 years. Outplacement firms were hardly heard of prior to that time (Stanton 775).

Costs vary significantly based on the program of choice. A group session averaged about \$672. This seems high, based on the figures that some group sessions may be \$2,000 per group of a dozen employees. This varies significantly by the number of individuals within the group. The average cost per individual on a one-on-one basis averages about \$4,700, ranging from \$2,250 to \$8,000. The cost of a senior executive can be as high as 20% of their compensation. One making \$100,000, plus a \$10,000 bonus, could be \$22,000. The range on the cost for an executive ranged from \$3,000

to \$25,000 according to the survey. Usually the cost of this program for individuals is based on a percentage of compensation and ranges from ten to 20 percent.

In spite of the costs, 80 percent said they felt that outplacement was cost effective. One person indicated that even though it may not have been cost effective, cost was not his company's main concern. The concern was for the employees who had worked many years for the company and that those employees would be treated in a fair way. Fifty-five percent felt that their company saved money by using an outplacement firm, with 45 percent saying "no" to saving money using outplacement.

Based on the information from both the companies using outplacement and the outplacement firms, the hypothesis that outplacement is beneficial to both terminated employees and the company releasing them appears to be true. However, to actually prove or disprove this, additional research should be done asking the terminated employees, both ones that received outplacement, as well as those that did not, their opinions.

According to the survey 100 percent found positions in less than six months, 45 percent of them in less than three months (Figure 9 and 10). Many companies do provide severance for a period of time. Others provide time at the present job to look for new jobs when they are doing a large downsizing over a period of time.

The speed of finding a new position is beneficial to both the terminated employee, retained employees, and the company. It shows concern for all, reduces unemployment compensation due to the person finding a new job faster than without the outplacement, and focuses the employee on the future, rather than thinking negatively about the job just lost.

Costs for legal services can be considerable in terminating employees. If one would research the information regarding the McDonnell Douglas case described on pages 34-35 and study the case in depth, one would find extensive legal costs involved with this case. Even after all the legal costs, some of the employees dismissed were hired back based on the ruling of the EEOC (Goodman 8A).

One of the aims in using an outplacement firm is to avoid legal costs. Since the terminated employee is

focused in a positive direction, establishing new goals, working on a new resume and interviewing skills, and developing a network system, it takes the focal point away from a possible lawsuit which can result when terminated employees feel they have been discharged unfairly or as a result of discrimination. Sessions are held to help cope with the stress of the situation and other helpful things at this crucial time.

Community image can be a very fragile thing. Assistance to the employees let go can help in smoothing over what could be a very touchy situation. There could be the possibility of declining business toward the company due to the situation. Outplacement assistance may be of help in dealing with this by allowing outsiders to see that the company is trying to do as much for the displaced workers as possible.

Cost can be difficult to measure, as can the impact on the survivors left at the company. Morale and productivity are two important aspects of assisting the remaining employees. They, too, must be kept in the communication loop more than ever. Even though many workers may be gone, those remaining will certainly be in contact with some of them and will know

how their job searches are going. It will help them to know that their past co-workers have found employment quickly. Therefore, the reasons listed in Table 8 are only a few of the far reaching reasons why outplacement is beneficial to a company.

Although career centers are growing in popularity, they are still not used by the majority of companies. Eighty-three percent of the outplacement firms indicated that companies do not normally provide a career center. Survey I indicated that 75 percent of the companies using outplacement did not use a career center. Most companies who do use them select a location off-site. This site gives employees the opportunity to go somewhere to network with others also looking for jobs. In addition, there are usually computers for doing cover letters and resumes. Most have a job posting bulletin board. Career centers are usually used in group settings more than in a one-on-one outplacement. It is helpful when there are larger numbers of employees terminated at the same time.

Limitations

One of the limitations of the surveys was the administration. Had it been conducted by personal

interviews, questions could have been discussed that were not understood clearly. The way question 6 of Survey I was presented made it difficult to calculate who outplacement was provided for. Had the question been worded "executive employees, other exempt employees, and non-exempt employees", it may have been clearer. In addition, it would have been better to designate a dollar amount to go with the executive and other exempt employee categories. It was difficult to know exactly who should be included in the various levels.

A control group of employees that did not get outplacement could have been used. Because these data were not gathered, data were not compared from those who got outplacement with those who did not. In addition, the opinions of those employees who received outplacement was not sought. This could be a future study.

Questions could have been asked regarding the choice of outplacement firms as related to the companies using the service, such as the relationship in the size of the company. It would have been interesting to see how the firms differ and beneficial to find out the size of the company correlating it with

the number of employees terminated. It was difficult to answer the question regarding cost since many companies' costs are based on a percentage rather than a fixed amount.

There were other questions that could have been worded differently to have made the meaning clearer. Although the questionnaire was given to three individuals of different companies as a pre-test, there were still areas that could have been improved. Question 1 of the Outplacement Questionnaire should have included a response of "never".

Survey II should have included a response in question 15 regarding the ranking of reasons for outplacement as genuine concern for the individual being let go from his or her job. Many companies added this as their number one reason for using an outplacement firm.

Suggestions for Future Research

An interesting future study would be the services that organizations may need from outplacement firms over the next several years. Another is the services appropriate for outplacement firms to offer.

Other areas of focus would be on the humane aspect of downsizing. An interesting question would be the expectations of companies in continuing to downsize over the next two years? If they expected to do so, would they plan to implement a training program for survivors? This could possibly include career management activities which could be a part of outplacement services.

Although this study focused on the downsizing of larger numbers of employees, outplacement firms are used considerably in terminating one employee at a time in times of performance problems or disciplinary actions. Another interesting subject would be what companies would do different in a future downsizing from what they did previously.

The sample population of both surveys should be expanded in future studies. Though both groups provided information that seemed reasonable and representative of the larger population, in future studies, the population should also include employees who did and did not receive outplacement service. It would be beneficial to add a control group of terminated employees to the study. This could give data comparing terminated employees who get

outplacement with those who do not. It would also give opinions of employees who received outplacement.

Ray Masling
Outplacement Manager's Program
400 Hudson Lake Drive
Ann Arbor, MI 48106

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OUTPLACEMENT QUESTIONNAIRE

The purpose of this questionnaire is to survey companies who may have recently experienced downsizing and/or restructuring. It is to determine how you have handled this situation and determine if and how any outplacement was used and if you found it cost effective.

The requester is currently enrolled in the Masters program at Lindenwood College and requests this information in the research for a thesis on the topic of outplacement and the restructuring of companies in the 1990s.

Your completion of this survey within one week of receipt would be greatly appreciated. Please return to the following address or fax number (fax 314-426-1795).

Betty Wendland
Lindenwood Master's Program
450 Hidden Lake Drive
St. Charles, MO 63304

Thank you for your immediate attention.

1. Has your company gone through a restructuring or downsizing within the past (check all that are applicable):
 - one year? _____
 - five years? _____
 - ten years? _____
 - have not in past ten years _____

2. Did you reduce your headcount during this period? Yes _____ No _____
 - 2a. If so, how many employees were terminated as a result of the reorganization? _____
 - 2b. If so, did you reduce your headcount through (check all that apply):
 - _____ lay off
 - _____ attrition
 - _____ retirement or early retirement offers
 - _____ other _____
(please specify)

3. Did you provide outplacement service for some or all of the affected employees?
 - Yes _____ No _____
 - 3a. If yes, did you use: outside outplacement firm _____
in-house outplacement _____
 - 3b. If you did not use an outplacement firm, please list the reasons for not doing so?
 - _____ Cost too high
 - _____ Never used one before, so why start now?
 - _____ Used in-house service
 - _____ Other (please specify)

If you did not use an outplacement firm, please go to question 9.

4. What outplacement company did you use?

- Drake, Beam, and Associates
 Human Resource Management Corp
 Right Associates
 Other _____
 (please specify)

4a. What criteria did you use in selecting an outplacement firm?

4b. What did you think of the overall outplacement program?

Very Helpful _____ Helpful _____ Little Help _____ No help _____

4c. Did the program address the concerns most important to you?

Always _____ Most of the time _____ Some of the time _____ Never _____

5. Did you open a career center to assist employees in locating new jobs? Yes ___ No ___

5a. Approximately how many displaced employees found new positions through the outplacement company? _____

5b. Do you feel the employees appreciated the use of the outplacement company?

All of them _____ Most of the them _____ Some of the them _____ None _____

5c. Do you feel the use of the outplacement company was helpful in keeping a positive attitude for the remaining employees?

All of them _____ Most of the them _____ Some of the them _____ None _____

6. Approximately what was the average cost of using outplacement per employee (other than the top executive employee(s))? _____

6a. Did you use outplacement for:

Executive employees? Yes _____ No _____

Exempt employees? Yes _____ No _____

All employees? Yes _____ No _____

7. If you have another reduction in personnel, would you use the same outplacement company?

Yes _____ No _____

7a. If so, why? _____

7b. If not, why not? _____

8. Do you feel that your company saved money by using an outplacement firm?

Yes _____ No _____

8a. Do you feel that outplacement is cost effective for use with terminated employees?

Yes _____ No _____

8b. Listed below are some reasons companies use outplacement firms in assisting with staff reduction. Please check all that apply in your case.

- _____ Pre-termination counselling
 _____ Management/supervisory training of proper termination interview techniques
 _____ To save on unemployment taxes since ex-employees would find jobs faster
 _____ Felt there would be less chance of ex-employees filing lawsuits against the company
 _____ Felt it would help the morale of employees retained
 _____ Good public relations
 _____ Other _____
 _____ Other _____

8c. How helpful did you find the various elements of the outplacement program with 1 being very helpful and 4 being no help.

	Very helpful			No help
Resume preparation	1	2	3	4
Interview Training	1	2	3	4
Network Preparation	1	2	3	4
Campaign Planning	1	2	3	4
Reduction of Legal recourse	1	2	3	4
Morale of remaining employees	1	2	3	4

9. Please send me a copy of the above survey results. Yes _____ No _____

Send to: _____

10. Demographics (Please provide information on the person completing this questionnaire.)

10a. Age _____ less than 25
 _____ 25-35
 _____ 35-45
 _____ 45-55
 _____ Over 55

10b. Gender M _____ F _____

10c. Education (please check highest level):
 Did not graduate from HS _____
 High school graduate _____
 Some college _____
 College graduate _____
 Some graduate school _____
 Masters _____
 Ph.D. _____

10d. # years in your field _____

10e. Industry of your company _____

10f. # of employees in your company _____

10g. 1993 Company Sales _____

10h. Your title _____

10i. Have you ever been in an outplacement program yourself? Yes _____ No _____

Thank you for your assistance in completing this survey.

QUESTIONNAIRE TO OUTPLACEMENT FIRMS

The purpose of this questionnaire is to survey outplacement firms who have experience with the downsizing and/or restructuring of corporations on a regular basis.

The requester is currently enrolled in the Masters program at Lindenwood College and requests this information in the research for a thesis on the topic of outplacement and the restructuring of companies in the 1990s.

Your completion of this survey within one week of receipt would be greatly appreciated. Please use the enclosed self addressed postage-paid envelope when responding.

Betty Wendland
Lindenwood Master's Program
450 Hidden Lake Drive
St. Charles, MO 63304

Thank you for your immediate attention.

Name _____

Name of firm _____

1. How long have you been involved in working with an outplacement company? _____ years
2. What are the major criteria that a client company will use in selecting an outplacement firm?

3. Approximately what percentage of client companies use career centers to assist employees in finding new jobs? _____%
4. Do most companies provide career centers: Yes _____ No _____
If yes, did they provide: _____ On site _____ Off site
5. In your experience, approximately what percentage of displaced employees find new positions through the use of outplacement company within the first six months? _____%
6. How long does it take the average non-executive (supervisor and below) person to find a new position?
 _____ < 1 month
 _____ 1 - < 3 months
 _____ 3 - < 6 months
 _____ 6 - < 9 months
 _____ 9 - < 12 months
 _____ 12 - < 18 months
 _____ 18 - < 24 months
 _____ 24 months or more

7. How long does it take the average executive (Department manager and above) to find a new position?

- < 1 month
 1 - < 3 months
 3 - < 6 months
 6 - < 9 months
 9 - < 12 months
 12 - < 18 months
 18 - < 24 months
 24 months or more

8. Do you feel the employees appreciate the use of an outplacement company?

Yes _____ No _____

9. If so, through your experience, why do employees appreciate this service?

10. Approximately what is the average cost of using outplacement per employee if the company uses it in a group setting? _____

11. Approximately what is the average cost of delivering an outplacement program per individual employee on a one-on-one basis (other than the top executive employee)? _____

12. Approximately what is the average cost of using outplacement per senior executive? _____

13. Approximately what percentage of companies use outplacement for:

Executive employees? _____

Exempt employees? _____

All employees? _____

Other _____

(please specify)

14. How do you determine if your company has done a satisfactory job in assisting displaced employees?

15. Listed below are various reasons companies use outplacement firms in assisting with staff reduction. Please rank the reasons from 1-7 with 1 the reason used most often by companies.

- Pre-termination counselling
 Management training of proper termination interview techniques
 To save on unemployment taxes since ex-employees would find jobs faster
 Felt there would be less chance of ex-employees in suing the company
 Felt it would help the morale of employees retained
 Good public relations
 Other _____

16. Do you feel in the long run companies save money by using outplacement?

Yes _____ No _____

17a. If yes, why? _____

17. Has there been an increase in the use of outplacement firms over the past:

20 years Yes _____ No _____

15 years Yes _____ No _____

10 years Yes _____ No _____

5 years Yes _____ No _____

1 year Yes _____ No _____

18. Please send me a copy of the above survey information. Yes _____ No _____

Send to: _____

19. Demographics (Please provide information on the person completing this questionnaire.)

19a. Age _____ less than 25

_____ 25-35

_____ 35-45

_____ 45-55

_____ Over 55

19b. Gender M _____ F _____

19c. Education (please check highest level):

Did not graduate from HS _____

High school graduate _____

Some college _____

College graduate _____

Some graduate school _____

Masters _____

Ph.D. _____

19d. Your title _____

19e. Number of years in outplacement field _____

19f. Previous Occupation (if any) _____

19g. Number of consultants in company. _____

19h. Number of offices. _____

19i. Consultant load (# of clients per consultant) _____

Thank you for your assistance in completing this survey.

The Impact of Outplacement on a Corporation's Reduction of the Workforce Survey

Atmosphere of Uncertainty

This study examines the issues related to the usage of outplacement by companies terminating employees. In today's workplace both employers and employees are finding themselves in an atmosphere of uncertainty. Companies should have a transition plan in place to handle terminated employees in a humane way. Outplacement is a key to smoothly handle the process of terminations that inevitably happen in such circumstances. The study examines the issues related to the usage of outplacement firms in assisting terminated employees, as well as the company.

Benefits of Career Transition Counseling

The benefits to using career transition counseling gives an advantage to the company, the employees who remain, and to the individual leaving the organization. Whether a situation of terminating one employee or many, outplacement provides a way to take decisive action, where appropriate, in terminating employees legally and sensitively. It assists with minimizing the legal risks in the termination process which can cost a company hundreds of dollars if not handled properly. It can reduce these costs by training managers in how to release employees legally and sensitively, diffusing the employees' negative feelings and focusing them on the future, and helping the employees make a career transition more quickly.

Company Image

The image of the company is preserved as the community sees that the terminated employees are treated with respect and fairness.

Remaining employees can rest easier knowing that they too will be treated fairly in the future. This also helps the morale of those employees left.

Outplacement Provides Focus

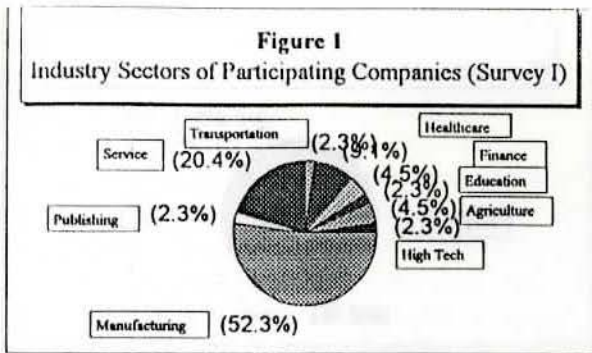
Career counseling will benefit the individual in many ways. Not only will it help them focus on the future rather than on the loss of their job, but will also help them focus on their career goals immediately, and learn new ways of securing employment, including developing a network. Outplacement can provide a structured environment for support during this transition period. Because there is a focus, results are likely to be achieved more quickly. With professional guidance of career assessment, preparing a resume, fine-tuning interview skills, and preparing to market themselves, the individual can get on with the rest of their life more quickly.

Demographics

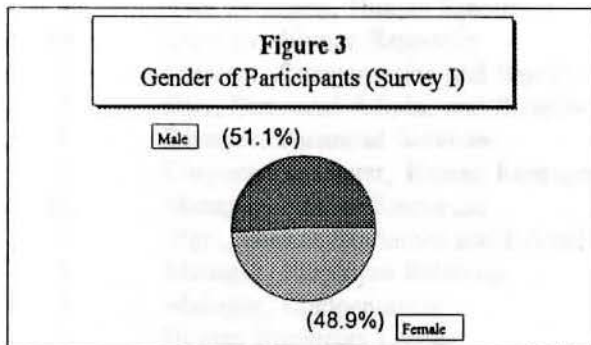
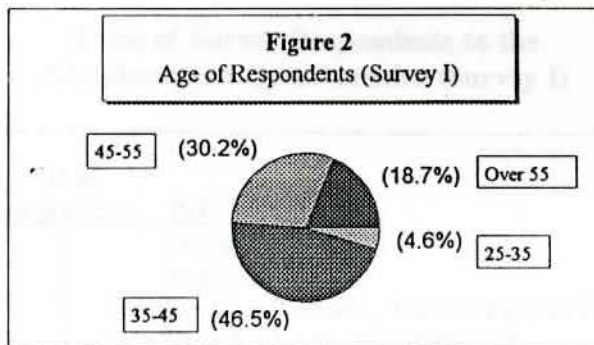
A survey was mailed to 133 organizations, randomly selected from companies in the St. Louis metropolitan area in April 1994. The companies represented varying sizes, industries (Figure 1), and sales volumes. The response rate to the survey was 37.6 percent.

This survey was conducted by Betty Wendland, a student at Lindenwood College in St. Charles, Missouri, in partial fulfillment of the requirements for the Masters of Human Resources program. The study was carried out to determine if companies had experienced a restructuring or downsizing and if outplacement was used in the process and whether this process was cost effective and beneficial to the company and the terminated employees.

Betty Wendland, 4777 LeBourget Drive, St. Louis, MO 63134

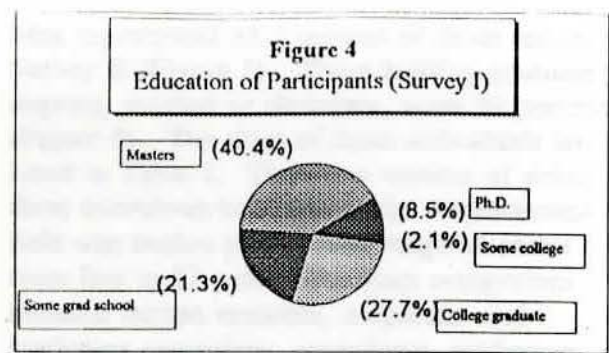


The respondents of the Outplacement Survey, Survey I, ranged in age from 25 to over 55 (Figure 2). There were 51.1 percent male respondents and 48.9 percent female (Figure 3).

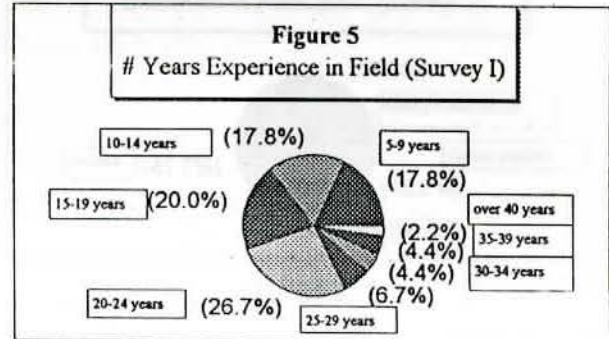


Nearly half (48.9 percent) had either a post-graduate degree, either a masters or doctorate. Another 21.3 percent had taken some graduate courses and 27.7 percent were college graduates with the remaining 2.1 percent having some college (Figure 4). These totals revealed that approximately 98 percent of the respondents held either a college or post-graduate degree.

Respondents had been in their occupational field between five and 41 years (Figure 5) with a

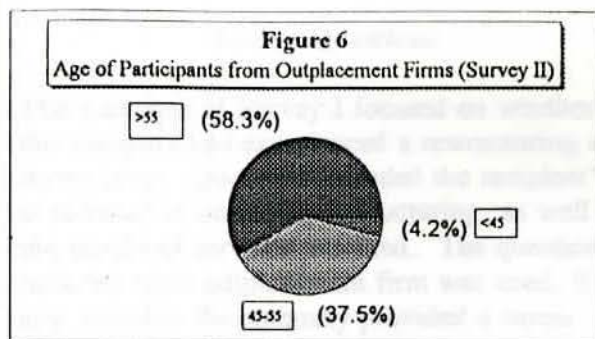


mean of 17.9 years. The titles of these individuals are listed in Table 1. Twelve point five percent participated as a client in an outplacement program themselves.



Company size varied from 2 employees to 50,000, the mean being 5,419. The sales of the 23 companies responding to the question varied from \$7 Billion to \$363,000. Many replied that this information was confidential. The average sales of those responding was approximately \$73.5 million.

A second survey was sent to 89 Outplacement Firms throughout the United States. The response rate of this questionnaire was 26.9 percent with 24 of the 89 firms responding. Results showed that 58.3 percent of those responding were over the age of 55 with 37.5 percent from ages 45-55 and 4.2 percent 45 or under (Figure 6). It should be mentioned that the demographic data received from the questionnaires are not intended to be compared as the questionnaires were sent out to different levels within the organization. This is seen in the positions detailed in Tables 1 and 2. Therefore, it may be expected that individuals

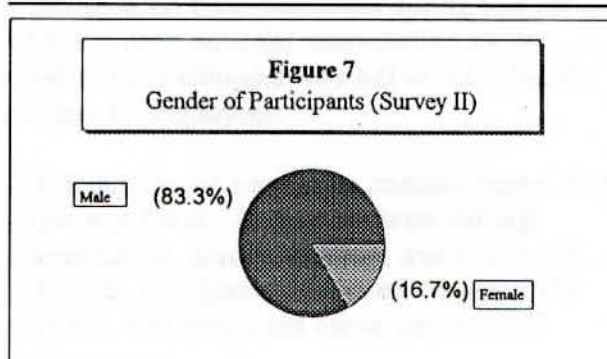


at the executive level, to whom Survey II was sent, may represent an older population.

TABLE 1

Titles of Survey Respondents to the Outplacement Questionnaire (Survey I)

# of respondents	Title
1	Owner
2	President
3	Sr. Vice President, Human Resources
1	Vice President, Manufacturing
4	Vice President, Human Resources
14	Director, Human Resources
1	Director, Compensation and Benefits
1	Dir., Personnel Admin. and Benefits
2	Director, Personnel Services
1	Corporate Manager, Human Resources
10	Manager, Human Resources
1	Mgr., Human Resources and Payroll
1	Manager, Employee Relations
1	Manager, Compensation
1	Human Resources Leader
1	Personnel Specialist



Men represented 83.3 percent of those returning Survey II (Figure 7). Those holding graduate degrees, masters or doctorate, were 50 percent (Figure 8). The titles of these individuals are listed in Table 2. The mean number of years these executives had been in the outplacement field was twelve years. The range extended from five to 22 years. Previous occupations included human resource, corporate, and marketing executives, consultants, professors, a psychologist, a YWCA program developer, and a military person.

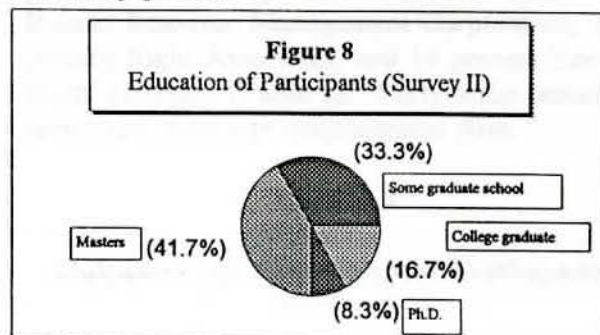


TABLE 2

Titles of Respondents of Questionnaire to Outplacement Firms (Survey II)

# of respondents	Title
1	Owner
4	Chairman of the Board
1	Principal, Co-founder
1	Partner
15	President
1	Managing Director
1	General Manager

Data from Survey II showed the average number of consultants in an office to be 24.2. The range extended from three to 250. There were small companies with only one office and larger ones with as many as 160. The average number of offices per company was 18.7. A consultant's load ranged from three clients to 35 with the average being 18.7 per consultant.

Survey Questions

The questions of Survey I focused on whether the company had experienced a restructuring or downsizing. Questions included the recipient's experience in managing restructuring, as well as the results of services provided. The questions included what outplacement firm was used, if any, whether the company provided a career center, cost of the service, whether outplacement was provided for select employees or all that were affected, and reasons the company provided outplacement service. In addition, questions were asked about the cost effectiveness of providing this service and whether they felt the cost was justified and why.

The questions on Survey II approached outplacement service from the provider's viewpoint. It asked what they felt was the criteria that clients used to select an outplacement firm, how long it took terminated employees to find new positions, and reasons outplacement is used.

Increase in Outplacement Usage

There has been an increase in outplacement usage over the past 20 years, although some firms indicated that it decreased slightly over the past year. Seventy-eight percent of the companies have gone through one or more restructurings or downsizings within the past ten years. Many had experienced it several times. Eighty-one percent of those restructuring had reduced their headcount during this period. Others dealt with the restructuring by not replacing employees who left or reducing the hours of employees.

The number of employees released ranged from one to 15,000. Reductions were through termination, layoff, attrition, and retirement. Seventy-nine percent provided outplacement service for terminated employees with 77

percent being from outside outplacement firms and 23 percent from in-house outplacement. The reasons for not using an outplacement firm were the high cost, companies sticking to their old way of handling such events which did not include outplacement, use of in-house service, and employees retiring so it was not necessary.

Outplacement Firms

Drake, Beam and Morin was used by 64 percent of the companies; 50 percent used Human Resource Management Corporation, 22 percent Right Associates, and 14 percent Lee Hecht Harrison (Table 3). Forty-three percent used more than one outplacement firm.

TABLE 3

Outplacement Firms used by Participants (Survey I)

Drake Beam Morin	64%
Human Resource Management Corp	50%
Right Associates	22%
Lee Hecht Harrison	14%
AAIM	7%
Davis & James	4%
Grant Cooper	4%
Wm Meyer Career Counseling	4%
J.Reed Belt & Associates	4%
State of Missouri	4%

The number one factor in choosing an outplacement firm was cost effectiveness (24.3 percent). This was followed by the reputation of the firm, quality of the service provided, location, range of services offered, skilled counsellors, facilities and resources, results, flexibility to meet the company's needs, and career center availability (Table 4).

Survey II provided the criteria that outplacement firms felt were important in the selection process used by companies. The

TABLE 4

**Major Criteria Used in Selecting
Outplacement Firm (Survey I)**

Cost Effectiveness	24.3%
Reputation of Firm	15.2%
Quality of Service	13.6%
Location	12.1%
Range of Services Offered	10.6%
Skilled Counsellors	9.1%
Facilities/Resources	6.1%
Results of services	4.5%
Flexibility	3.0%
Career Center Availability	1.5%

number one criteria indicated was the range of services available versus the cost selected by the actual companies using outplacement firms. Range of service was followed by quality of service, skilled counsellors, cost, location, reputation, availability, facilities and resources, results, trust, and networking (Table 5).

Outplacement Helpful

Ninety-seven percent of the corporations felt the outplacement program was helpful to employees leaving their company and 93 percent felt that the terminated employees appreciated the use of the service. Seventy-seven percent felt the program was helpful to the remaining employees in maintaining a positive attitude through a difficult period. One hundred percent felt the outplacement program addressed the concerns that were most important to them.

Outplacement companies in Survey II indicated that 100 percent of the employees appreciated the use of their services. The survey also showed that 69 percent of companies provide outplacement for executives, 53 percent to all exempt employees, and approximately 29 percent to all employees.

TABLE 5

**Major Criteria Outplacement Firms Indicate
Used in Selecting Their Service (Survey II)**

Range of Services	19.6%
Quality of Service	16.4%
Skilled Counsellors	14.8%
Cost Effectiveness	13.1%
Location	11.5%
Reputation of Firm	6.6%
Availability	4.9%
Facilities/Resources	4.9%
Results of Services	3.3%
Trust	3.3%
Networking of Job Opportunities	1.6%

The number of displaced employees that found new positions through outplacement averaged 70 percent in Survey I. This corresponded similarly with the results of Survey II which resulted in approximately 74 percent finding positions within the first six months.

Outplacement Firms Successful

Only one company indicated they would not use the same outplacement firms again if they had another staff reduction. This company felt the company had changed their quality. Two companies indicated they may use the same company; however, they would get competitive bids prior to making their decision. Reasons for staying with the same firms included:

- outplacement company had done a great job for them
- familiarity with the "drill"
- performance met expectations
- effectiveness
- good feedback and appreciation of the program by participants
- working relationship already established
- strong performance
- good results.

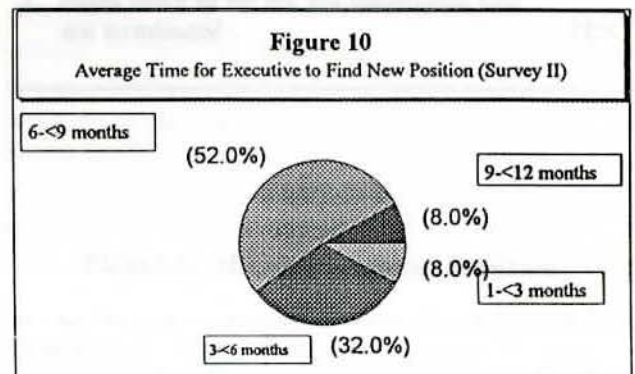
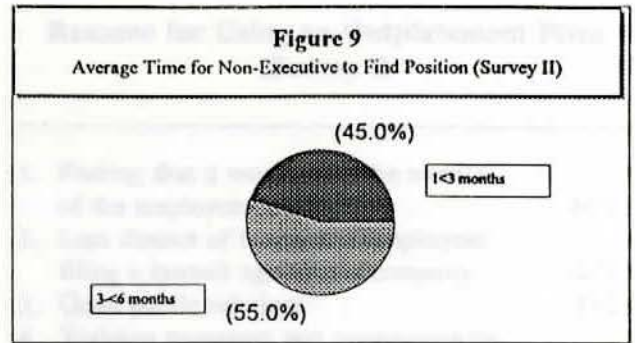
The cost of outplacement varies considerably. Many companies in Survey I did not answer the question regarding the cost of the service. Of the sixteen that did, the average cost of the service for employees, excluding top executives, was \$2,359. Two companies responded that their cost was fifteen percent of the employees' compensation.

Survey II respondents indicated that the average cost per individual in a group session is about \$672. This cost varies depending on the number in the group, the length of the seminars, and the follow-up counseling provided. The cost per individual on a one-on-one basis averages about \$4,700 (excluding senior executives) with a range of \$2,250 to \$8,000. The average cost for a senior executive is about \$11,500. Costs provided were estimates, as most companies base their rates on the individual's gross salary. Percentages ranged from ten to 20 percent. Some include bonuses and other parts of the compensation package when figuring their rates. Costs ranged from \$3,000 to \$25,000.

Forty-five percent of the outplacement companies indicated it takes one to three months to find a new position and 55 percent from three to six months (Figure 9). According to the survey the average executive takes from one to twelve months to find a new job with 52 percent of the total from six to nine months (Figure 10).

Cost Effective

Eighty percent in Survey I said they felt that outplacement was cost effective and 55 percent felt that their company saved money by using an outplacement firm, with 45 percent saying "no" to saving money using outplacement. In spite of the fact that the company may not be saving money, it appeared that in the long run



it was the best way to handle employee cuts effectively.

Ninety-two percent of the outplacement firms felt that in the long run companies saved money by using outplacement. One firm commented that outplacement had become a cost of doing business as an expense reduction technique. The main reasons are listed in Table 6, with the top reason being a genuine concern for the individual being discharged.

Table 7 lists the reasons why companies selected an outplacement firm to assist with their staff reduction. The top consideration was the feeling that it would help the morale of the employees retained by the company. In responding to the ranking of the elements provided as a part of the outplacement program, Table 8 details the main provisions.

TABLE 6

**Reasons Companies Use Outplacement
(Survey II)**

1. Genuine concern for employee/humane treatment	54%
2. Less chance of terminated employees filing a lawsuit against the company	38%
3. Training managers and supervisors on proper termination interview techniques	38%
4. Good public relations	33%
5. Feeling that it would help the morale of the employees retained	29%
6. Less unemployment compensation paid	17%

Career Centers

Career centers are growing in popularity and 25 percent of the companies used them to assist employees in finding new positions. Firms in Survey II estimated the average number of companies using career centers to be 20 percent.

Outplacement firms determined their performance in assisting displaced employees primarily through evaluations and feedback from the candidates. Although some received feedback from the companies hiring them, one respondent said that once the terminated employee is in their hands, the company no longer wants to think about them. That did not seem to be the feeling of others who stated that the primary reason companies use outplacement is because of genuine concern for the employee.

Other factors used to determine success are the quality or level of job the person gets and if it matches the objectives set early on in the search, placement rate, no lawsuits, repeat business from sponsoring companies, survivors attitudes, and annual follow-up. One firm indicated they did not determine their success.

TABLE 7

**Reasons for Using an Outplacement Firm
(Survey I)**

1. Feeling that it would help the morale of the employees retained	46%
2. Less chance of terminated employees filing a lawsuit against the company	40%
3. Good public relations	30%
4. Training managers and supervisors on proper termination interview techniques	22%
5. Right thing to do for the employees that are terminated	18%

TABLE 8

Elements of Outplacement Program

ELEMENT	VERY HELPFUL	HELPFUL	LITTLE HELP	NOT HELPFUL
Resume Preparation	19	6	0	0
Network Preparation	11	14	0	0
Interview Training	17	7	1	0
Campaign Planning	13	10	2	0
Morale of Remaining Employees	6	15	1	1
Reduction of Legal Recourse	5	10	7	0
Mean	11.83	10.33	1.83	.17
Variance	5.36	2.18	1.16	.03
Standard Deviation	2.32	1.48	1.08	.17

Summary

Outplacement has experienced rapid growth since its beginnings in the 1970s. Whereas in years past this service was used mainly for the termination of employees because of performance problems, it is now being used in areas of eliminating unneeded positions due to numerous reasons, usually at no fault of the employee.

With 78 percent of the surveyed companies going through restructuring or downsizing more than once, it reveals that downsizing appears to be a happening that has continued, and will continue as companies make changes. Shifting of personnel and letting employees go is part of business. One respondent in Survey I indicated that whatever the cost in dollars, outplacement should become a part of the cost of doing business.

In terminating employees, 77 percent of the companies engaged the assistance of an outplacement company. Because of the threat of terminated employees suing the company due to their termination, many companies felt the advantage of having an outplacement firm deal with the employees would save them money in the long run. In addition, these employees would be focused on the future and in the direction of finding new employment rather than dwelling on the past.

Cost was the top consideration (24.3 percent) of a company selecting an outplacement company (Table 4). Cost was fourth (13.1 percent) in the list of reasons outplacement firms felt was important to companies in the selection process, the first being the services provided (Table 5).

Since only one of 27 companies (3.7 percent) indicated they would not use the same outplacement firm they previously used, it appears that the firms were successful in meeting the needs of the companies that

selected them. Ninety-seven percent of the corporations felt the outplacement program helped those people that were discharged. It was also felt that 93 percent of those receiving the benefits of the program appreciated it. Outplacement companies responded that 100 percent of the departing employees appreciated the services, which could be expected as their response in that they provide the service.

Not only was it helpful to the employees leaving the company, but 77 percent felt the program was helpful to the remaining employees. It helped in maintaining a positive attitude toward the company, as well as the morale of those employees. Cost can be difficult to measure, as can the impact on the survivors left at the company. Morale and productivity are two important aspects of assisting the remaining employees. They, too, must be kept in the communication loop more than ever.

The speed of finding a new position is beneficial to both the terminated employee, retained employees, and the company. It shows concern for all, reduces unemployment compensation due to the person finding a new job faster than without the outplacement, and focuses the employee on the future, rather than thinking negatively about the job just lost.

One of the aims in using an outplacement firm is to avoid legal costs. Since the terminated employee is focused in a positive direction, establishing new goals, working on a new resume and interviewing skills, and developing a network system, it takes the focal point away from a possible lawsuit. Sessions are held to help cope with the stress of the situation and other helpful things at this crucial time.

Community image can be a very fragile thing. Assistance to the employees let go can help in smoothing over what could be a very touchy situation.

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