

Evaluating Workforce Reductions

April 15, 2020

Getting Introduced

Today's Facilitator



George Penn

Vice President, Advisory
Gartner

George Penn is a Vice President of Advisory in the Human Resources Practice at Gartner. He leads a global team of executive advisors who enable clients to benchmark performance against best-in-class organizations, and achieve critical business objectives through successful talent and functional strategies.



Chat with your peers using the
Group Chat box



Submit questions using the
Q&A box



Contact
GartnerVirtualEvents@gartner.com
for platform queries

Our Panelists



John Auletto

Executive Vice President,
Human Resources
Hexion Inc.

John Auletto joined Borden Chemical, a predecessor company of Hexion, in 1999, and has since served Hexion in various senior human resource leadership roles. During his tenure, he has helped lead the organization through multiple mergers and acquisitions, as well leading the Company's global efforts in Talent Management, Labor Relations, and Organizational Effectiveness.

Prior to joining Borden Chemical, John served in senior human resources roles with Associates National Bank, W.L. Gore & Associates and The Bank of New York.



Piers Hudson

Senior Director, Analyst
Gartner

Piers Hudson is a Senior Director, Analyst in the Human Resources Practice at Gartner. He leads on research and support to Gartner clients on HR cost and budget issues. Previous to working in Research and Advisory, Piers was the EMEA lead for CEB's HR Consulting work on HR Transformation.

Agenda

Current State of
Workforce Cost
Management



A Framework
for Addressing
Reductions in
Force



Resources to
Support You

Introductions – Polling our peers:

- Q1: Have you conducted a Reduction-In-Force (RIF) year-to-date in 2020?
 - Yes
 - No
 - No, but expect to by year-end
- Q2: Do you expect multiple rounds of RIF in your organization in 2020?
 - Yes
 - No

Cost Management is in Every Discussion

We have 90K people who are now **doing their job from home.**

We have a number of people – about 20K – who are affected by this virus for any number of reasons so they **can't do their job** so they're on leave.

We're **paying folks 160 hours** to stay at home, take care of family, take care of themselves.

Randall Stephenson
Chairman & CEO, AT&T



All thousand of our theaters in 15 countries, every single one is closed. We do have fixed expenses. You can be sure we're trying to **lower those fixed expenses.**

But literally, **we don't have a penny of revenue coming in the door.**

Now with expenses out the door and fixed expenses, we are **burning through cash...**

Adam Aron
CEO, AMC Theatres



Cost Management Actions to Date

Q: “What measures are you undertaking to manage costs?”

Percent of HR Leaders



n = 424; 354

Q7. What measures are you undertaking to manage costs in current uncertain times? Select all that apply.

Source: Gartner Managing Talent During the Coronavirus Outbreak Webinar Poll (17 March 2020); Gartner COVID-19 Crisis Benchmarking Against Your Peers Webinar Poll (2 April 2020)

Reductions in Force are Accelerating

Macy's furloughs most of its 125,000 employees.

Cirque du Soleil announced it is laying off 95% of its 4,679 person staff.

Scandinavian Airlines (SAS) announced a temporary lay off of 90% of its staff.

ZipRecruiter laid off 443 employees.

Pebblebrook Hotel Trust, laid off 50% of its 8,000 employees.

Air Canada announced lay offs of more than 5,100, or 50%, of its flight crew.

16,780,000 jobs were lost in the United States since March 15th. During the Great Recession 8,705,000 jobs were lost.

Bird, the electric scooter company, laid off 30% of its staff.

Norwegian Airlines announced the temporary layoff of 90% of its workforce, amounting to 7,300 employees.

Sonder, a billion-dollar apartment-rental company laid off or furloughed one third of its workforce.

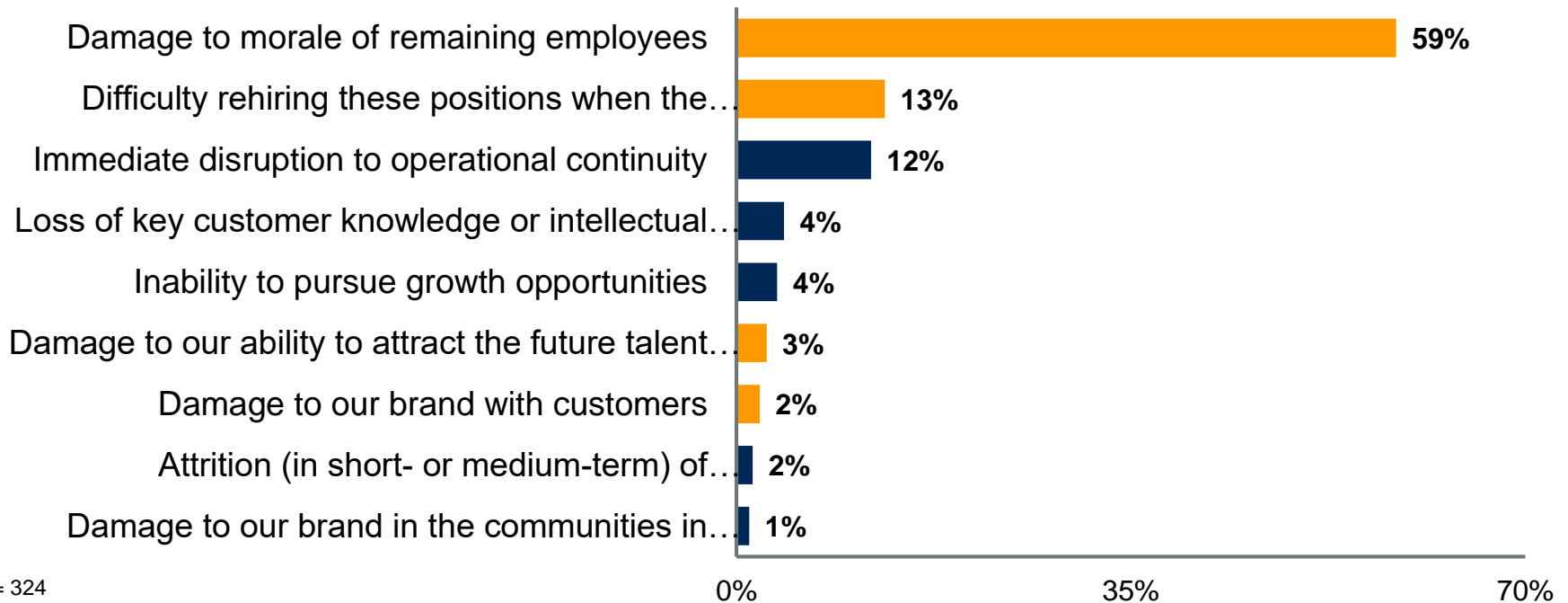
Everlane, the clothing retailer focused on ethical sourcing, laid off over 200 employees.

GE announces it will be reducing approximately 10% of its aviation unit's workforce.

Address One Risk and Create Many More

Q: “What do you see as the greatest risk if you have to reduce the size of the workforce?”

Percent of Organizations



n = 324

Q9. What do you see as the greatest risk if you have to reduce the size of the workforce? Select one.

Source: Gartner COVID-19 Crisis Benchmarking Against Your Peers Webinar Poll (2 April 2020)

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Why You Need to Get this Right

“Empirical evidence suggested that a mere 46% of downsized firms were able to cut overall costs, fewer than 33% increased profitability, and only 21% were able to report satisfactory improvements in shareholders’ ROI.”

“...firms that had downsized a small number of employees (i.e., up to 3 %) performed significantly better in the announcement year, while firms that downsized more than 10% of the workforce significantly underperformed firms laying off less.”

“...downsizing by 1% in one year, leads to a 31% increase in voluntary turnover the following year.”

“...after a layoff, survivors experienced a 41% decline in job satisfaction, a 36% decline in organizational commitment, and a 20% decline in job performance.”

“...after a firm cuts its staff by 15%, the number of new inventions it produced fell by 24%.”

“...laid-off employees have an 83% higher chance of developing a new health condition in the year after termination...”

Sources: Gandolfi, Franco. “Learning from the Past Downsizing; Lessons for Managers.” *Journal of Management Research*, Vol. 8 No. 1 (April 2008); Sucher, Sandra J. and Gupta, Shalene. “Layoffs That Don’t Break Your Company.” *Harvard Business Review*, May-June 2018.

Agenda

Current State of
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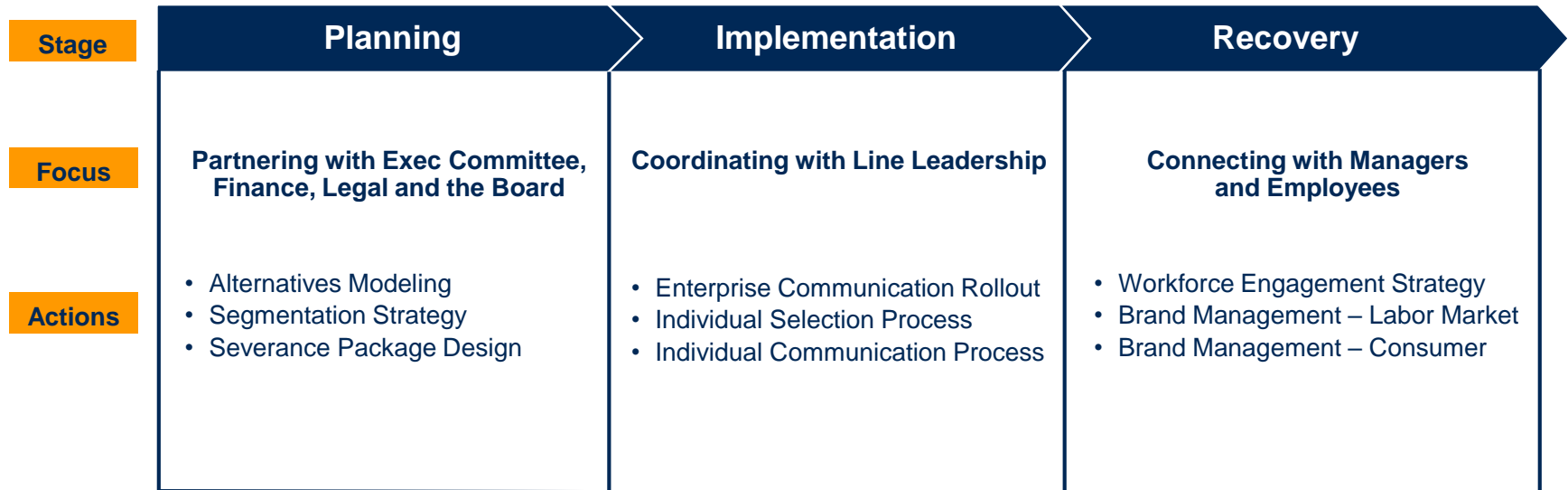


A Framework for
Addressing
Reductions in Force

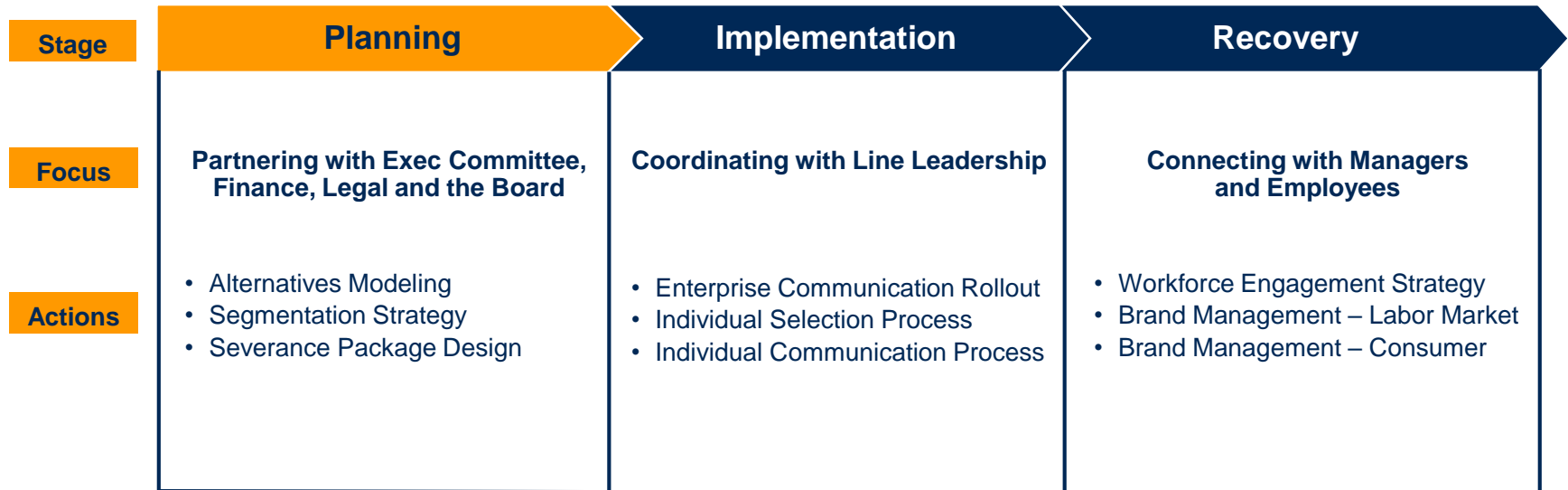


Resources to
Support You

Frame for Reductions in Force Considerations



Frame for Reductions in Force Considerations

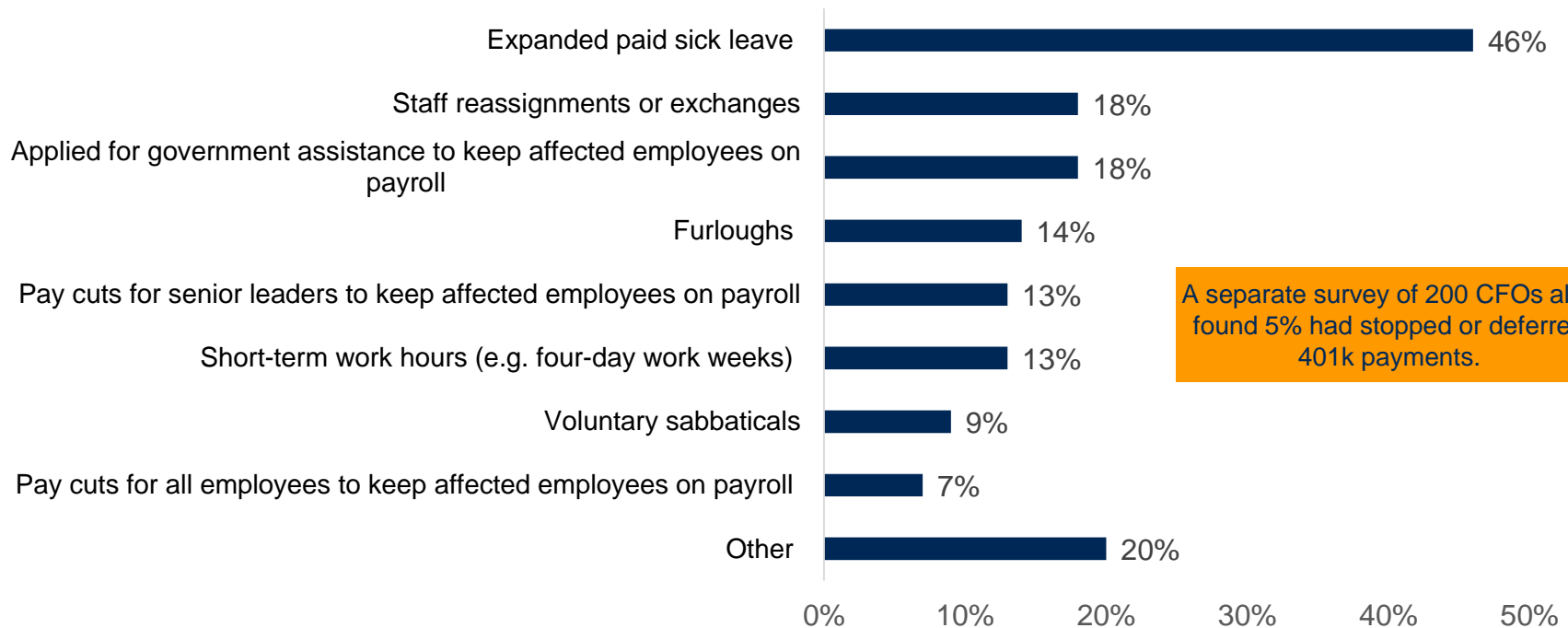


Polling Question #3

- Which of the following measures are you considering as a way to avoid reductions in force? (please select all that apply)
 - Freezes to wage increases or bonuses
 - Executive / senior leadership pay cuts
 - Wider workforce pay cuts
 - Cuts to benefits
 - Sharing employee jobs / splitting shifts
 - Reduced working weeks
 - Voluntary leaves of absence / sabbaticals
 - Forced time-off

Alternatives to Layoffs

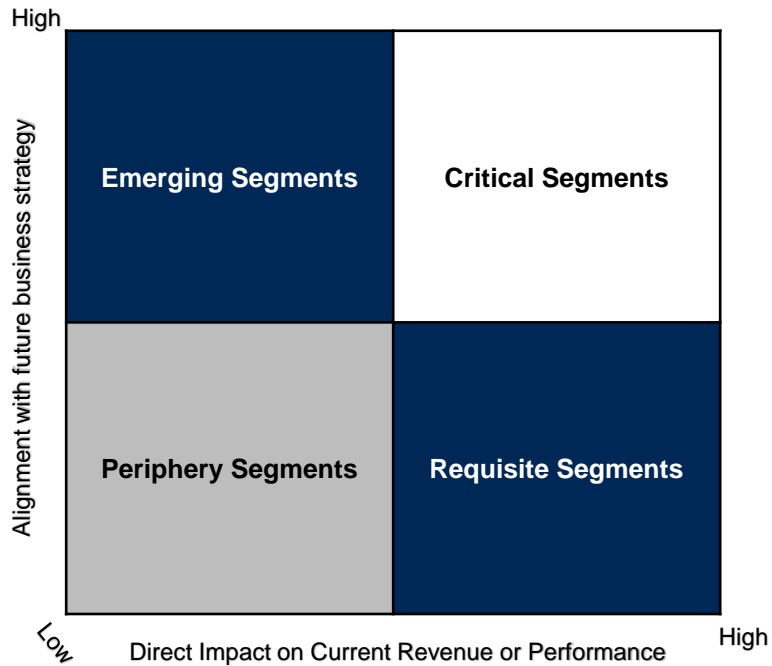
Q: What alternatives to layoffs have you used for workers who can work but are unable to due to plant closures etc.
Percent of HR Leaders



n = 56 HR Leaders; Gartner 2020 Peer Pulse on Pay Policies and Benefits During the COVID-19 Pandemic

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Confirm Segmentation Strategy for Selection



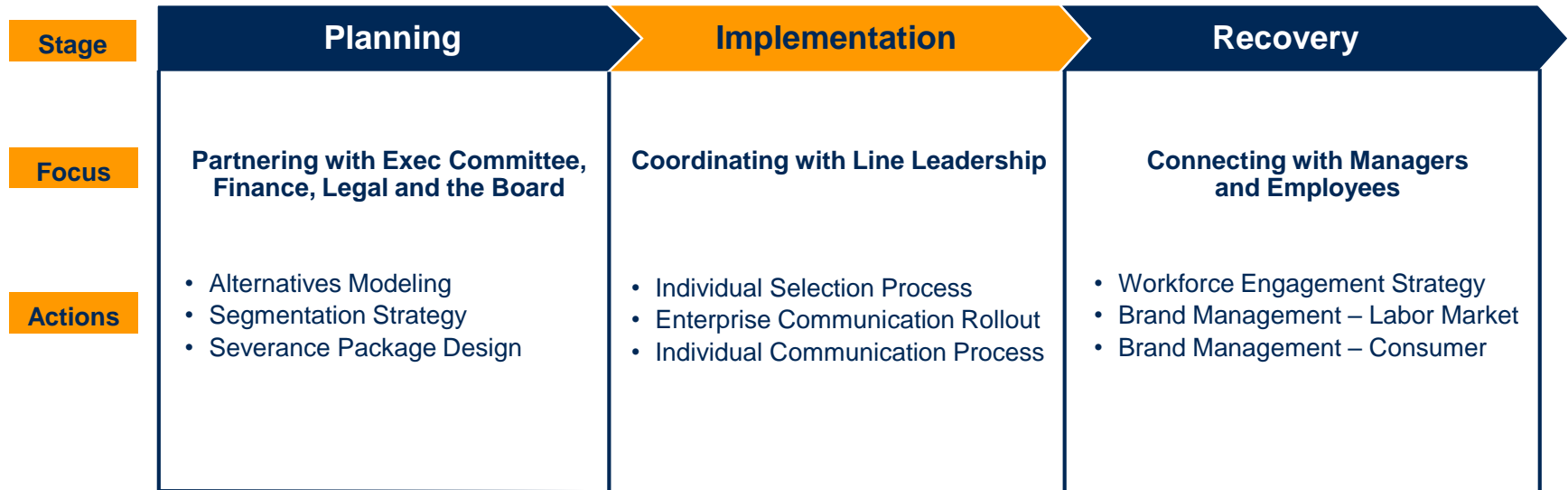
Impact on current financials and performance:

- Direct impact on sales and revenue
- Direct impact on profit
- Direct impact on key partnerships
- Severance, legal, and compliance considerations

Alignment with future business strategy:

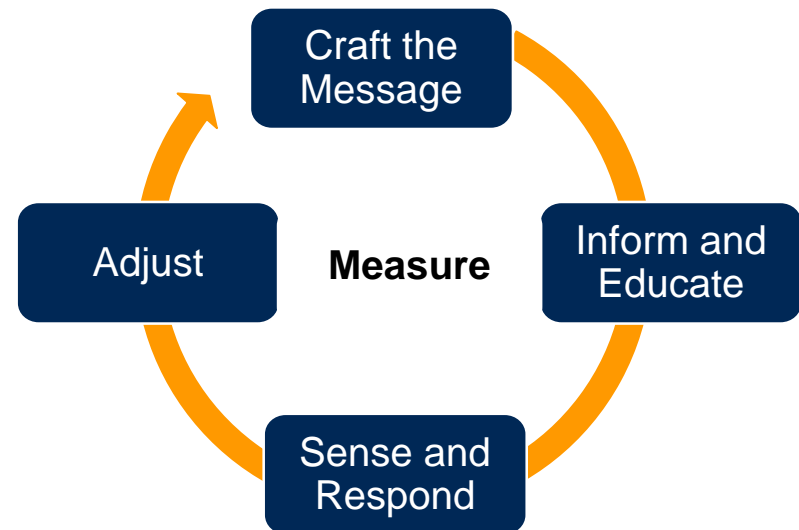
- Ability to support long term business objectives
- Cost to rehire
- Skill transferability to new roles

Frame for Reductions in Force Considerations



Enterprise Communication Strategy Stages

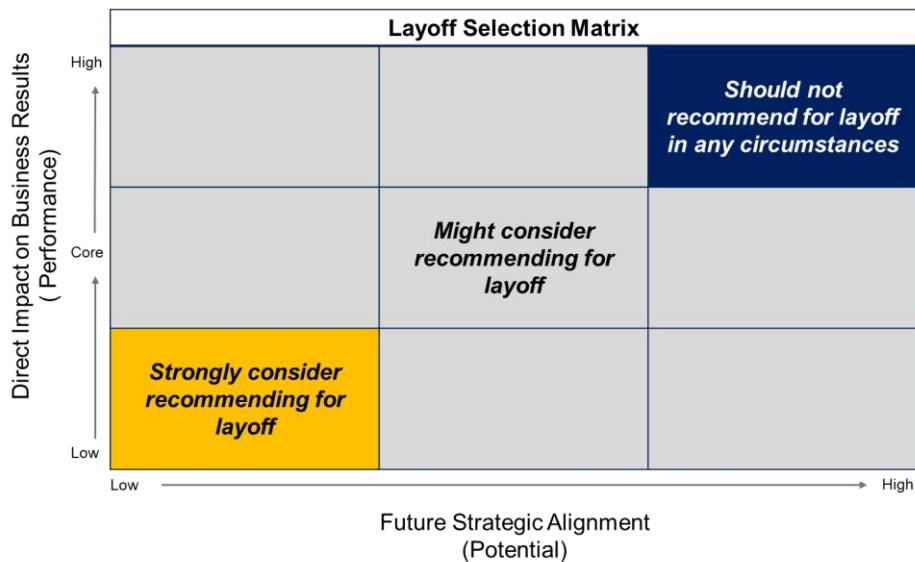
- 1 CHRO and CEO partner with Legal Counsel to check messages against local laws
- 2 CHRO and CEO communicate to next level of leadership on decision and segments to be targeted
- 3 CHRO communicates selection process to line leadership
- 4 HR and line leaders communicate to managers on the affected workers
- 5 HR and line leaders communicate to managers on conducting separation meetings



Polling Question #4

- What will be the primary criteria for selecting employees once down to the individual team level? (please select all that apply)
 - Tenure with the organization
 - Most recent performance review
 - Future performance potential (in current role)
 - Potential for future leadership positions / advancement
 - Flexibility / transferability into other roles
 - Knowledge of company proprietary knowledge
 - Involvement in / with current critical projects / clients

Considerations for Individual Selection Process



Key Manager Questions

Extent to which current skills will support future business strategy:

Extent to which future strategy execution depends on performance of this individual:

Extent to which the success of other roles depends on this individual:

Ability to quickly learn new concepts and processes:

Interest in being redeployed to another function or business unit:

Level to which training and development can address redeployment limitations:

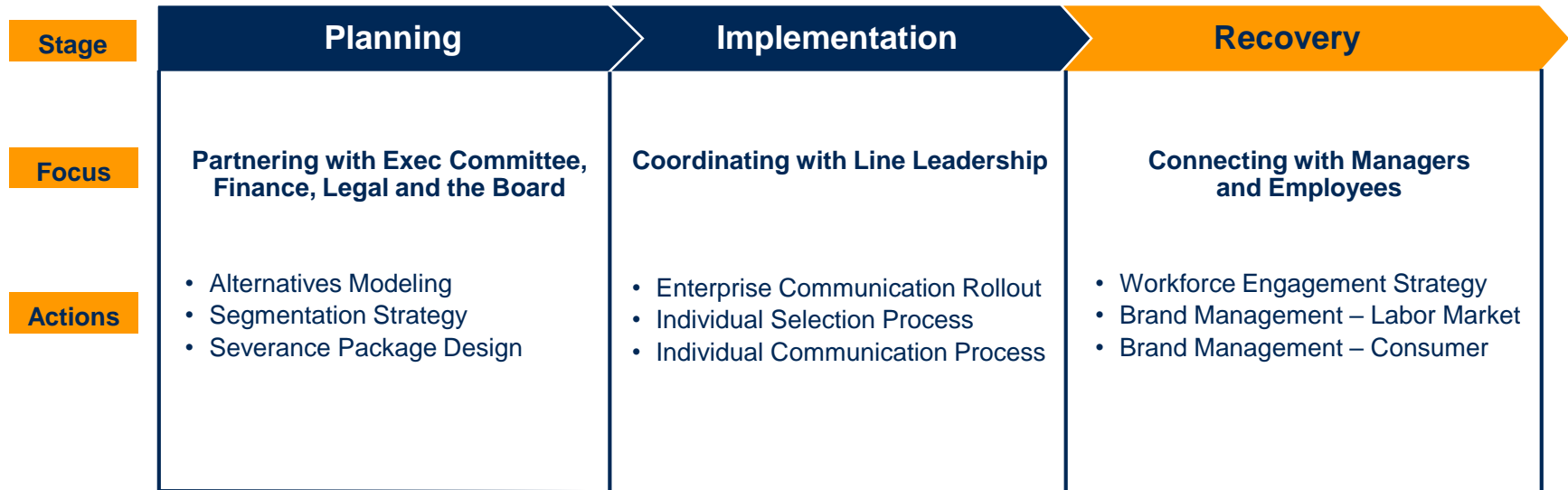
Extent to which this employee frequently demonstrates high levels of discretionary effort:

Likelihood that this individual remains with the organization long-term:

Level of interest in future advancement:

...

Frame for Reductions in Force Considerations



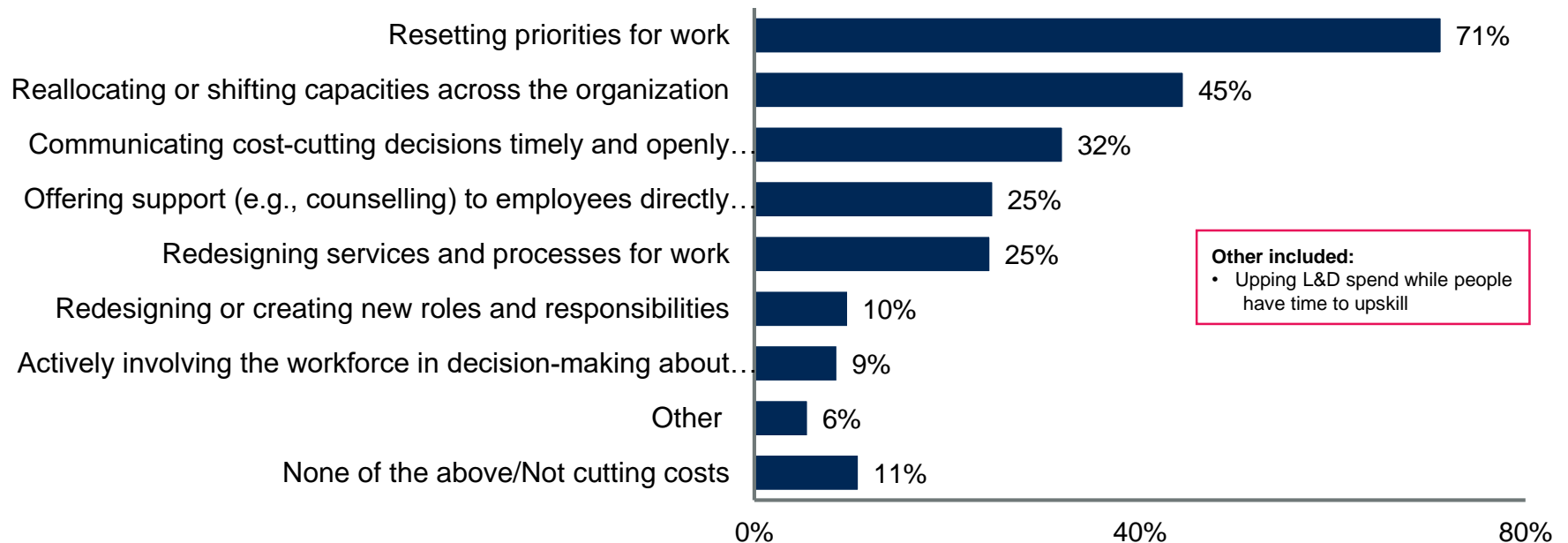
Polling Question #5

- What reaction are you most worried about amongst the workforce that remains after a RIF? (select all that apply)
 - Will leave as soon as other job offers arise
 - Will reduce their discretionary effort
 - Will stop supporting their colleagues
 - Will not be willing to take risks
 - Will stop innovating, or making suggestions, or seeking out new business opportunities
 - Will behave in a more siloed way (e.g. not sharing information with others, prioritizing own team's needs over others)

Attempts to Limit Engagement Issues

Q: “How is your organization keeping workforce engagement and productivity up?”

Percent of HR Leaders



n = 359

Q8. How is your organization cutting costs overall while keeping workforce engagement and productivity up? Select all that apply.

Source: Gartner COVID-19 Crisis Benchmarking Against Your Peers Webinar Poll (2 April 2020)

Six Areas of Engagement Focus



Three Areas to Prioritize Immediately

1

Communications

Ensure Open, Honest Two Way Communication

- 1) Educate employees on the financial mechanics of the organization
- 2) Share insights on future state scenarios and associated planning
- 3) Encourage and effectively manage two-way communication channels

2

Roles and Goals

Create Greater Role and Goal Clarity

- 1) Help managers provide context and adjustments for goal-setting
- 2) Make goal-setting more transparent, collaborative, and adaptive
- 3) Demonstrate how employees are each individually accountable

3

Employee Networks

Rebuild and Refresh Employee Networks

- 1) Help employees identify how their own networks were disrupted
- 2) Encourage managers to connect employees to new parts of the organization
- 3) Help employees make their own best-fit connections

Agenda

Current State of
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A Framework for
Addressing
Reductions in Force



Resources to
Support You

Support Beyond Today



Speak with a Gartner Advisor:

- Assess the impact and plan a response
- Plan and manage cost saving initiatives
- Communicate effectively
- Protect employee experience and productivity

Arrange a Call



Connect with Your Peers:

Locate the "Peer Connect" tab on the Gartner website

Ask or Answer a Question



Register for Our Upcoming Webinars:

Managing Through Disruption: Benchmarking Against Your Peers

April 21, 2020 10:00am-11:00am ET

Lessons Learned from Managing Remote Employees

April 23, 2020 11:00am-12:00pm ET

Register Now

Coronavirus and Wider Cost Optimization Support

Coronavirus Resource Center for HR

ARTICLE TOP VIEW

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Analysis

As the coronavirus (COVID-19) continues to impact global markets and companies, HR leaders need to prepare and respond to this systemic shock. To tackle this challenge, HR teams are looking to assess the impact of COVID-19 and craft their response, plan and manage cost-saving initiatives, communicate effectively with employees and manage employee wellness and productivity (see Figure 1).

The below tools, benchmarks and decision guidance are designed to help you in this effort. Further resources on each of the four topics can be found in the links below.

Figure 1. Critical Actions for HR Leaders

Four Actions Every HR Leader Needs to Take

Assess Impact and Plan Response

Plan and Manage Cost Saving Initiatives

Protect Employee Experience and Productivity

Communicate Effectively

HR Function

Enterprise-wide

Leading Organization Response & Recovery through Pandemics

Gartner

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Planning and Managing Cost-Saving Initiatives During COVID-19

ARTICLE TOP VIEW

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Analysis

In a situation as rapidly evolving as COVID-19, leaders need quick perspective to ensure they take the right actions for their organizations, employees and shareholders. In the recent weeks and months, significant declines in revenue have led organizations to consider or implement cost-saving initiatives, such as reducing employee work hours, reducing headcount, freezing hiring, freezing promotions and more.

Cost-saving measures can however be risky and should not be taken without full consideration of their possible negative impacts on employer brand and employee engagement in the long run. As such, HR leaders are essential consultants in the planning and managing of cost-saving initiatives (see Figure 1).

e.g.,

- [Organizing a RIF Strategy and Plan of Action](#)
- [Guidance for Managers Conducting Layoff Conversations](#)
- [Reengaging Employees After a Reduction in Force](#)