

# Severance Practices Around the World

Australian Edition

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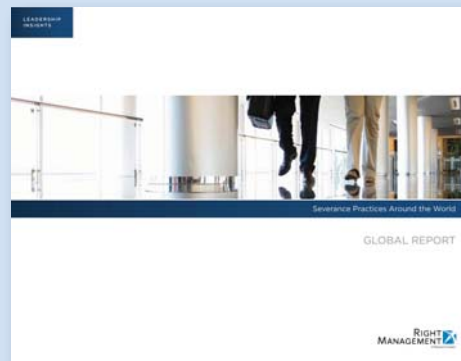
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## EXECUTIVE SUMMARY

Severance is a complex issue with wide-ranging implications. It is an important responsibility to get it right because it has a dramatic impact on the lives of the individuals being made redundant, those who remain in the organisation and those who might be attracted to it in the future.

The global study draws from more than 1,500 responses from human resource professionals and senior managers, including 101 from Australia. Severance must primarily be viewed in the context of restructuring and downsizing.

Smart organisations recognise that the actual severance package is only part of the equation. The entire process of restructuring or downsizing, of which severance is a component, must be run smoother, faster and with more communication than ever before.

Our research shows that of the 28 countries surveyed regarding severance pay and conditions, Australia is well down the rankings in 21<sup>st</sup> position. However, while Australians earn 22% less severance pay than their global colleagues, they receive substantially better assistance packages.

As an influencer of severance policies in your company, we trust that the benchmarking data and analysis contained in the following pages will help inform your decision in this critical area.

I would like to thank each of you who participated in this groundbreaking study. Your insights and experiences are of tremendous value to your peers throughout the world. My colleagues and I look forward to continuing to equip you with the essential resources and solutions you need to excel in your profession.



A handwritten signature in black ink that reads "Bridget Beattie". The signature is written in a cursive, flowing style.

Bridget Beattie  
Regional General Manager Australia & New Zealand  
Right Management

# AUSTRALIAN HIGHLIGHTS

## INTRODUCTION

Throughout the world, laws, customs and business protocols regulate practices of how employers separate workers from their organisation – no matter whether the departure is voluntary or involuntary. In some countries, companies that downsize or restructure face strict labor legislation, which can significantly affect the cost, extent and efficiency of the initiative. In other countries, companies are free to layoff workers with little or no government restrictions.

This report draws from statistics gathered through an online survey instrument targeting human resource professionals and senior managers responsible for making severance decisions in their organisation. Right Management engaged International Communications Research to conduct the study in 28 countries between July and September 2008. The survey was translated into 18 languages for the convenience of respondents worldwide. Of the 1,524 survey responses received, 45% were from America, 34% were from Europe, 21% were from Asia Pacific and 14% from Australia. A broad cross section of industries was represented.

In Australia, understanding how separation practices vary is a critical component of an effective workforce strategy. This knowledge can help organisations to manage talent fluctuations, improve workforce effectiveness, avoid costly litigation, deliver on business objectives and maintain a positive brand image.

The fast-changing and demanding global market is placing increased pressure on companies to compete more effectively. The subsequent result is frequent restructuring, downsizing and cutbacks. When those initiatives are implemented, departing employees need to be supported with severance packages to aid their transition to new opportunities.

The main triggers for activating the provision of severance are either a reduction in workforce (75%) or an organisational restructure (76%). This is consistent with our findings in 2002. Separating employees is now a fact of doing business – whether you are in Germany, Japan, Australia or in any one of the other 25 countries we studied. It is critical for those responsible for severance to have a sense of the policy and practice environment, not only locally or within an industry. Global corporations frequently implement changes that affect operations in multiple countries.

When comparing the findings from the study we conducted in 2002, it is clear that most organisations infrequently change their severance policies. Similarly, an increased amount of organisations offer outplacement today, even where not legally required. Irrespective of employee level, outplacement is a standardised business practice used when organisations restructure and downsize and is the most common benefit provided in severance packages.

**Key findings from the study include:****Severance Policy**

- Severance and termination policies are primarily governed by a combination of company policy and local/national law (64%).
- In the event of employee termination, most companies (65%) are required by law to give a certain amount of advance notification to the employee.
- Most (85%) of those surveyed said their company had a formal, written severance policy.
- Thirty-one percent of companies have no minimum tenure to be eligible for severance, whilst (24%) have a minimum of 12 months.

**Severance Calculation**

- Top executives earn the most severance per year, whether they are voluntarily separated (3.06 weeks per year) or involuntarily separated (3.98 weeks per year).
- Regardless of position or type of separation, severance is most frequently offered throughout the world as a lump sum payment.
- More than half (56%) of the companies surveyed put a cap on the severance calculation.

**Benefits**

- Regardless of employee level, the most common benefits included in a severance package are assistance programs (like outplacement and financial planning), continued benefits (such as healthcare and financial compensation), and to a lesser extent, company resources such as an office or car.
- Fifty-six percent of terminated employees are required to sign a waiver before they can access severance benefits.
- Although not legally required, most companies (66%) provide outplacement services.

**Retention Bonuses**

- Of the companies that do offer retention bonuses, most do so in the event that extended notice is provided, for instance a plant closing or downsizing, and include calculations based on a mix of variables.
- Half of the companies surveyed do not offer any type of retention bonus.

One thing stands out in our research, severance is back on the boardroom table. Whether you are responsible for managing a workforce in one country or many, senior executives and human resource professionals in organisations of all sizes and industries, can use this data to compare their own practices with broad-based norms to ensure they are providing fair and equitable packages to those who need to leave their employ.

Perhaps more importantly however, smart organisations recognise that the actual severance package is only part of the equation. The entire process of restructuring or downsizing, of which severance is a component, must be run smoother, faster and with more communication than ever before to ensure the organisation is positioned for the next business cycle.

We invite you to read on to learn more.

## RESEARCH OVERVIEW

More than 1,500 human resource and line leaders representing 19 industries in 28 countries participated in the study. One-in-four participants were from public / government organisations and over half (56%) were from private corporations. Seventy-four percent of respondents were from organisations employing 5,000 people or less. The organisations represented in the survey range in revenue from under US\$1 million to well over US\$1 billion, with the mean falling at US\$5.6 billion.

The industries represented in this research include:

- Manufacturing
- Finance and Insurance
- Professional, Scientific, and Technical Services
- Health Care and Social Assistance
- Other Services (except Public Administration)
- Retail Trade
- Information
- Construction Wholesale Trade
- Transportation and Warehousing
- Utilities
- Educational Services
- Mining, Quarrying, and Oil and Gas Extraction
- Management of Companies and Enterprises
- Arts, Entertainment, and Recreation
- Accommodation and Food Services
- Agriculture, Forestry, Fishing and Hunting
- Real Estate and Rental and Leasing
- Admin/Support & Waste Management/Remediation

## Legal Disclaimer

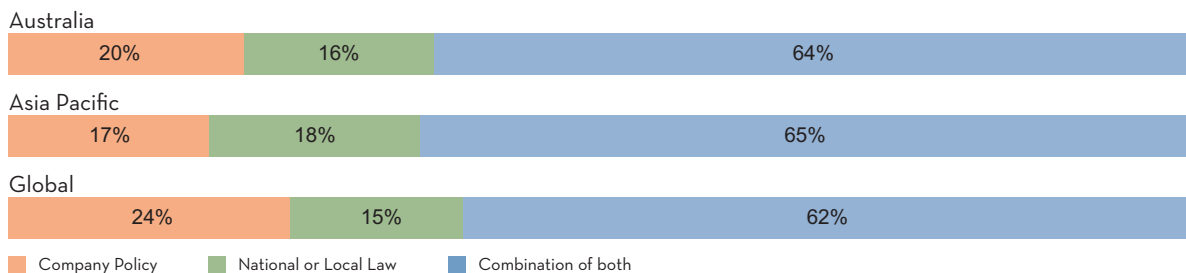
This report contains information of a general nature and should be used solely as a guide or as a supplement to other resources. While we have made every effort to provide accurate information, you should consult legal counsel for advice on any particular situation.

## SEVERANCE POLICY

The most important factor impacting employee severance practices is the legal environment in which the company operates. Severance and termination policies are primarily governed by a combination of company policy and local/national law (64%). This is consistent with our earlier research in this area.

So, even with strict government involvement in setting parameters for severance packages, there still seems to be room for an organisation to interpret and apply the law and to exercise a measure of discretion in individual situations.

FIGURE 1  
Severance  
Policy Drivers



Consistent with our earlier research in this area, in the event of employee terminations, nearly all companies (85%) are required by law to give a certain amount of advance notification to the employee with nearly half (47%) required to enter into a Consultation process, well above the global averages.

TABLE 1  
*Severance  
Requirements  
by Law in  
the Event of  
Employee  
Termination*

	Australia	Asia Pacific	World Wide
Length of advance notification given to employees	65%	77%	62%
Notification of unions	40%	36%	37%
Minimum tenure at company needed for employee to qualify	45%	46%	37%
Minimum time period an employee will receive termination benefits	52%	45%	36%
Minimum monetary amount of termination benefits	48%	51%	36%
Notification of government	31%	28%	32%
Continuation of benefits	22%	20%	29%
Consultation process	47%	36%	26%
Provision of outplacement services	22%	20%	19%
Other	0%	3%	3%
None of the above	0%	2%	7%
Don't know	3%	2%	3%

Australia has one of the highest global incidence of a formal, written termination/severance benefits policy (86%), noticeably higher than the global norm (58%). Today, only 2% of companies do not have a formal severance policy in place, compared to nearly four-times that amount (15%) in 2002, signaling that severance practices have matured over the past six years. Those who do not have any policy in place run the risk of being unprepared for change and at risk from lack of knowledge about local laws, increasing their exposure to litigation and government penalties.

TABLE 2  
Severance  
Policy

	Australia	Asia Pacific	World Wide
A formal, written severance/ termination benefits policy	86%	76%	58%
An informal or unwritten policy or general practice	32%	35%	40%
No severance/termination policy because governed by law	15%	15%	12%
No severance/termination policy, for other reasons	2%	2%	4%
None of the above	1%	1%	1%

With regard to severance eligibility, nearly a third of companies (31%) have no minimum requirement for severance eligibility, far fewer than the global average (42%). Seventy-six percent of Australian employees are eligible within their first year of employment, whilst 24% must be employed for more than a year to qualify.

TABLE 3  
Minimum  
Time with  
Organisation to  
be Eligible for  
Severance

	Australia	Asia Pacific	World Wide
No minimum	31%	34%	42%
Minimum of three months	19%	13%	13%
Three to less than six months	13%	10%	6%
Six months to less than a year	13%	9%	8%
A year or more	24%	34%	31%

The main triggers for activating the provision of severance are either a reduction in workforce (75%) or an organisational restructure (77%). More respondents in Australia (45%) reported severance is activated by a voluntary resignation than the rest of the world.

TABLE 4  
Triggers to  
Activate  
Severance

	Australia	Asia Pacific	World Wide
Reduction in workforce	75%	68%	77%
Restructuring of organisation	67%	64%	75%
Elimination of position	65%	51%	71%
Discharge for poor performance	53%	59%	54%
Relocation of business	53%	45%	50%
Discharge for cause	54%	60%	42%
Voluntary resignation	45%	54%	28%
None of the above	1%	1%	1%

## SEVERANCE CALCULATION

Top executives around the globe earn more severance per year of service than any other level of employee. There is a significant difference between being voluntarily separated (3.06 weeks per year of service) or involuntarily separated (2.98 weeks per year of service). Australian employees consistently earn less severance than their counterparts across the globe.

TABLE 5  
Weeks of  
Severance per  
Year of Service

	Mean Number Of Weeks		
	Australia	Asia Pacific	World Wide
<b>Voluntarily Separated</b>			
Top Executives	3.06	3.57	3.39%
Senior Executives	3	3.47	3.29
Dept. Heads, Mgrs, Supervisors	2.9	3.38	3.00
Professional/ Technical	2.71	3.19	2.79
All other employees	2.57	3.07	2.65
<b>Involuntarily Separated</b>			
Top Executives	2.98	3.67	3.52
Senior Executives	2.9	3.61	3.33
Dept. Heads, Mgrs, Supervisors	2.8	3.59	2.93
Professional/ Technical	2.69	3.48	2.75
All other employees	2.59	3.40	2.59

Regardless of position or separation type, severance is offered most frequently as a lump sum payment. This is also found throughout the world.

While just over half (57%) of companies enforce a cap on the maximum severance payment.

Details of the how severance payments are made to all levels of employees are noted in the Global Report.

See the inside front cover of this report for how to access a copy.

## BENEFITS

Regardless of position or level, the top benefits offered tend to be assistance programs (like outplacement and financial planning), continued benefits (such as healthcare and financial compensation), and to a lesser extent, company resources such as an office or a car.

Outplacement is a consistent benefit included in severance packages for all levels of employees, with a higher incidence of being offered to those involuntarily separated from the organisation.

TABLE 6  
Benefits Included  
in Severance  
Packages—Top  
Executives  
Voluntarily  
Separated

	Australia	Asia Pacific	World Wide
Top Executives Eligible For Benefits (N=)	80	193	769
Assistance programs (Net)	77%	67%	68%
Outplacement services (subnet)	54%	46%	51%
Retirement planning	32%	29%	24%
Financial planning	38%	21%	15%
Relocation assistance	29%	20%	14%
Retraining	24%	15%	12%
Secretarial services	13%	9%	7%
Continued benefits (Net)	54%	51%	56%
Health related benefits (subnet)	46%	38%	48%
Continuation of medical benefits	29%	25%	37%
Continuation of life insurance	28%	23%	23%
Continuation of disability insurance	22%	20%	18%
Monetary benefits (subnet)	40%	37%	27%
Continuation of stock/share options	29%	24%	17%
Continued bonus/incentive plans	27%	22%	16%
Continued tuition reimbursement	15%	8%	8%
Company resources provided (Net)	23%	16%	21%
Use of automobile	19%	12%	17%
Use of office space	6%	6%	7%
None of the above	17%	23%	20%

TABLE 7  
Benefits Included  
in Severance  
Packages—Top  
Executives  
Involuntarily  
Separated

	Australia	Asia Pacific	World Wide
Top Executives Eligible For Benefits (N=)	91	246	1,227
Assistance programs (Net)	70%	57%	71%
Outplacement services (subnet)	58%	40%	61%
Retirement planning	16%	23%	15%
Financial planning	30%	15%	14%
Relocation assistance	22%	14%	9%
Retraining	23%	12%	9%
Secretarial services	10%	6%	6%
Continued benefits (Net)	45%	40%	57%
Health related benefits (subnet)	33%	26%	49%
Continuation of medical benefits	22%	19%	45%
Continuation of life insurance	19%	15%	22%
Continuation of disability insurance	13%	12%	15%
Monetary benefits (subnet)	29%	26%	24%
Continuation of stock/share options	23%	18%	15%
Continued bonus/incentive plans	15%	13%	13%
Continued tuition reimbursement	20%	12%	18%
Company resources provided (Net)	20%	12%	18%
Use of automobile	17%	9%	13%
Use of office space	8%	6%	7%
None of the above	19%	30%	16%

TABLE 8  
Benefits Included  
in Severance  
Packages—Senior  
Executives  
Voluntarily  
Separated

	Australia	Asia Pacific	World Wide
Senior Executives Eligible For Benefits (N=)	82	212	841
Assistance programs (Net)	74%	65%	66%
Outplacement services (subnet)	54%	45%	49%
Retirement planning	30%	26%	21%
Financial planning	31%	17%	15%
Relocation assistance	26%	18%	12%
Retraining	21%	11%	11%
Secretarial services	16%	9%	6%
Continued benefits (Net)	52%	47%	54%
Health related benefits (subnet)	39%	33%	45%
Continuation of medical benefits	24%	21%	36%
Continuation of life insurance	26%	20%	22%
Continuation of disability insurance	22%	19%	16%
Monetary benefits (subnet)	33%	29%	24%
Continuation of stock/share options	26%	22%	15%
Continued bonus/incentive plans	16%	12%	13%
Company resources provided (Net)	18%	11%	18%
Use of automobile	16%	9%	13%
Use of office space	4%	4%	7%
None of the above	19%	24%	21%

TABLE 9  
Benefits Included  
in Severance  
Packages—Senior  
Executives  
Involuntarily  
Separated

	Australia	Asia Pacific	World Wide
Senior Executives Eligible For Benefits (N=)	92	268	1,349
Assistance programs (Net)	70%	60%	72%
Outplacement services (subnet)	50%	4%	6%
Retirement planning	2%	2%	14%
Financial planning	10%	13%	12%
Relocation assistance	17%	14%	8%
Retraining	20%	9%	7%
Secretarial services	13%	5%	4%
Continued benefits (Net)	47%	40%	57%
Health related benefits (subnet)	29%	24%	50%
Continuation of medical benefits	22%	19%	45%
Continuation of life insurance	15%	13%	23%
Continuation of disability insurance	11%	10%	14%
Monetary benefits (subnet)	29%	25%	21%
Continuation of stock/share options	22%	16%	13%
Continued bonus/incentive plans	17%	13%	13%
Company resources provided (Net)	13%	8%	14%
Use of automobile	13%	7%	11%
Use of office space	1%	2%	5%
None of the above	19%	28%	15%

TABLE 10  
Benefits Included  
in Severance  
Packages—  
Department  
Heads/Managers/  
Supervisors  
Voluntarily  
Separated

	Australia	Asia Pacific	World Wide
Dept Heads/Supers Eligible For Benefits (N=)	85	223	850
Assistance programs (Net)	76%	66%	64%
Outplacement services (subnet)	50%	44%	47%
Retirement planning	24%	25%	18%
Financial planning	26%	13%	10%
Relocation assistance	23%	13%	10%
Retraining	25%	12%	12%
Secretarial services	11%	5%	6%
Continued benefits (Net)	47%	44%	49%
Health related benefits (subnet)	33%	28%	40%
Continuation of medical benefits	23%	20%	33%
Continuation of life insurance	20%	17%	18%
Continuation of disability insurance	17%	14%	13%
Monetary benefits (subnet)	35%	28%	19%
Continuation of stock/share options	21%	17%	11%
Continued bonus/incentive plans	23%	16%	11%
Continued tuition reimbursement	16%	9%	7%
Company resources provided (Net)	25%	11%	15%
Use of automobile	18%	8%	11%
Use of office space	11%	5%	6%
None of the above	18%	23%	23%

TABLE 11  
Benefits Included  
in Severance  
Packages—  
Department  
Heads/Managers/  
Supervisors  
Involuntarily  
Separated

	Australia	Asia Pacific	World Wide
Dept Heads/Supers Eligible For Benefits (N=)	97	290	1,382
Assistance programs (Net)	73%	60%	70%
Outplacement services (subnet)	53%	42%	60%
Retirement planning	20%	20%	13%
Financial planning	24%	11%	9%
Relocation assistance	26%	16%	8%
Retraining	20%	10%	8%
Secretarial services	27%	3%	3%
Continued benefits (Net)	40%	36%	53%
Health related benefits (subnet)	27%	22%	46%
Continuation of medical benefits	23%	16%	42%
Continuation of life insurance	14%	12%	20%
Continuation of disability insurance	10%	10%	12%
Monetary benefits (subnet)	27%	22%	16%
Continuation of stock/share options	16%	13%	9%
Continued bonus/incentive plans	16%	13%	9%
Company resources provided (Net)	12%	6%	9%
Use of automobile	10%	5%	7%
Use of office space	3%	2%	4%
None of the above	21%	31%	18%

TABLE 12  
Benefits Included  
in Severance  
Packages—  
Technical/  
Professional  
Employees  
Voluntarily  
Separated

	Australia	Asia Pacific	World Wide
Prof/Tech Eligible For Benefits (N=)	85	224	845
Assistance programs (Net)	73%	64%	61%
Outplacement services (subnet)	43%	40%	45%
Retirement planning	15%	23%	16%
Financial planning	33%	15%	11%
Relocation assistance	19%	12%	9%
Retraining	14%	8%	10%
Secretarial services	13%	6%	5%
Continued benefits (Net)	43%	38%	45%
Health related benefits (subnet)	29%	24%	37%
Continuation of medical benefits	19%	17%	30%
Continuation of life insurance	17%	14%	16%
Continuation of disability insurance	13%	13%	11%
Monetary benefits (subnet)	27%	22%	15%
Continuation of stock/share options	19%	13%	9%
Continued bonus/incentive plans	19%	15%	9%
Continued tuition reimbursement	18%	9%	6%
Company resources provided (Net)	13%	6%	8%
Use of automobile	9%	5%	5%
Use of office space	5%	3%	4%
None of the above	25%	27%	27%

TABLE 13  
Benefits Included  
in Severance  
Packages—  
Technical/  
Professional  
Employees  
Involuntarily  
Separated

	Australia	Asia Pacific	World Wide
Prof/Tech Eligible For Benefits (N=)	96	292	1,371
Assistance programs (Net)	71%	59%	66%
Outplacement services (subnet)	52%	41%	55%
Retirement planning	17%	20%	11%
Financial planning	22%	11%	8%
Relocation assistance	13%	10%	6%
Retraining	18%	10%	8%
Secretarial services	9%	4%	3%
Continued benefits (Net)	37%	33%	49%
Health related benefits (subnet)	24%	20%	43%
Continuation of medical benefits	16%	14%	38%
Continuation of life insurance	14%	11%	19%
Continuation of disability insurance	10%	10%	12%
Monetary benefits (subnet)	22%	18%	13%
Continuation of stock/share options	17%	10%	7%
Continued bonus/incentive plans	11%	10%	7%
Continued tuition reimbursement	8%	5%	5%
Company resources provided (Net)	9%	5%	6%
Use of automobile	7%	4%	4%
Use of office space	3%	1%	3%
None of the above	25%	32%	22%

TABLE 14  
Benefits Included  
in Severance  
Packages—All  
Other Employees  
Voluntarily  
Separated

	Australia	Asia Pacific	World Wide
All Other Eligible For Benefits (N=)	83	221	814
Assistance programs (Net)	68%	59%	55%
Outplacement services (subnet)	44%	36%	40%
Retirement planning	22%	24%	16%
Financial planning	25%	11%	9%
Relocation assistance	10%	7%	7%
Retraining	21%	10%	11%
Secretarial services	10%	5%	4%
Continued benefits (Net)	43%	38%	41%
Health related benefits (subnet)	33%	27%	35%
Continuation of medical benefits	15%	15%	28%
Continuation of life insurance	23%	16%	16%
Continuation of disability insurance	17%	14%	11%
Monetary benefits (subnet)	22	20	14
Continuation of stock/share options	16%	10%	8%
Continued bonus/incentive plans	11	14	7
Continued tuition reimbursement	10%	5%	5%
Company resources provided (Net)	6%	4%	6%
Use of automobile	4%	3%	3%
Use of office space	2%	2%	3%
None of the above	25%	30%	31%

TABLE 15  
Benefits Included  
in Severance  
Packages—All  
Other Employees  
Involuntarily  
Separated

	Australia	Asia Pacific	World Wide
All Other Eligible For Benefits (N=)	92	286	1,324
Assistance programs (Net)	65%	56%	61%
Outplacement services (subnet)	42%	36%	50%
Retirement planning	15%	20%	10%
Financial planning	24%	10%	8%
Relocation assistance	16%	11%	7%
Retraining	21%	11%	9%
Secretarial services	7%	3%	3%
Continued benefits (Net)	31%	31%	46%
Health related benefits (subnet)	23%	19%	41%
Continuation of medical benefits	16%	15%	37%
Continuation of life insurance	15%	11%	17%
Continuation of disability insurance	8%	9%	11%
Monetary benefits (subnet)	13%	15%	12%
Continuation of stock/share options	9%	7%	5%
Continued bonus/incentive plans	8%	9%	7%
Continued tuition reimbursement	7%	2%	4%
Company resources provided (Net)	8%	3%	4%
None of the above	26%	33%	25%

A little over half (56%) of Australian employees are required to sign a waiver or release to access severance benefits. Yet, nearly three-quarters (73%) of companies around the world require separated employees to sign a waiver or release to access severance benefits, compared to 66% in 2002.

## The Role of Outplacement

More often than not, outplacement is offered where not legally required by most companies (73%) worldwide. Globally, there has been an increase of 8% since 2002, indicating that outplacement has matured as a standard business practice to help organisations undergoing restructuring and employees affected by change.

Most employers (80%) offer outplacement where it is not legally required because “it’s the right thing to do,” followed by “it sends positive signals to remaining employees” (70%) and “it is good for public image” (56%). One-in-two (47%) employers also believe that outplacement “makes good business sense”.

FIGURE 2  
Provision of  
Outplacement  
Where Not  
Legally  
Required

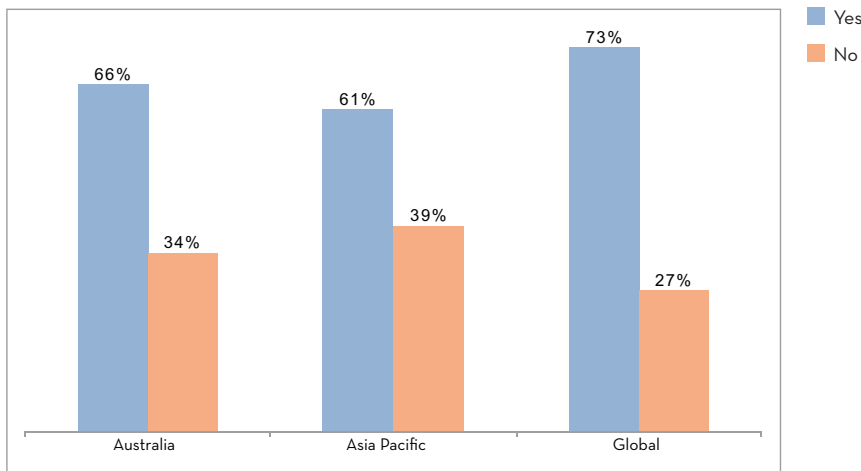


TABLE 16  
Reasons for  
Providing  
Outplacement  
Where Not  
Legally  
Required

	Australia	Asia Pacific	World Wide
It's the right thing to do	80%	63%	71%
It sends positive signals to remaining employees	70%	69%	69%
It ensures that our former employees receive the skills/training needed to transition to a new career quickly and successfully	62%	60%	67%
It helps reduce the threat of litigation	34%	35%	49%
It makes good business sense	47%	36%	49%
It is good for the public image of the organisation	56%	45%	48%
It provides older employees with special career transition help	49%	51%	45%
Other	1%	1%	3%

Outplacement services are a staple component of severance packages and are provided to most employees, regardless of level. There is an increase in the provision of outplacement services for involuntarily separated employees compared to those voluntarily separated.

TABLE 17  
*Outplacement  
Included in  
Severance  
Package*

	Voluntarily Separated	Involuntarily Separated
Top Executives	54%	57%
Senior Executives	54%	50%
Department Heads/Managers/ Supervisors	49%	52%
Professional/Technical	43%	52%
All other employees	43%	42%

Just over half (54%) of respondents do not offer cash in lieu of outplacement.

It has been the experience of Right Management that not offering an option results in the least amount of problems. Separated employees who take the cash option often do so without realising the realities of how long it takes and what is involved in landing a new position, nor the tax implications of the cash payout. When provided with a comprehensive overview of outplacement/career transition services, over 80% of individuals understand the full value and will elect to receive the services. When offering outplacement, employers should give candidates a limited time to initiate the service or forfeit.

## CHANGES IN SEVERANCE

Consistent with our earlier research in this area, half of companies (49%) report no change in their severance policies over the past three years, a third (33%) had increased benefits, whilst 18% had decreased benefits in the past three years.

Just over half of companies (56%) are not planning to change their severance plans in the next 12 months. Of the companies that indicated there would be a change in their severance plan, the majority (86%) thought they might increase benefits.

FIGURE 3  
Planning to  
Change the  
Severance Plan  
in the Next  
12 Months

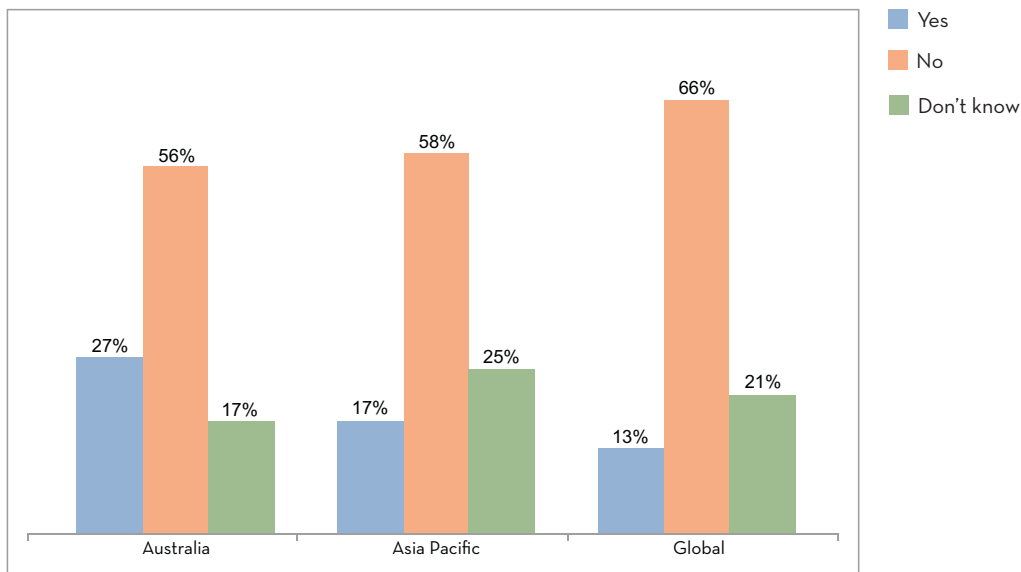
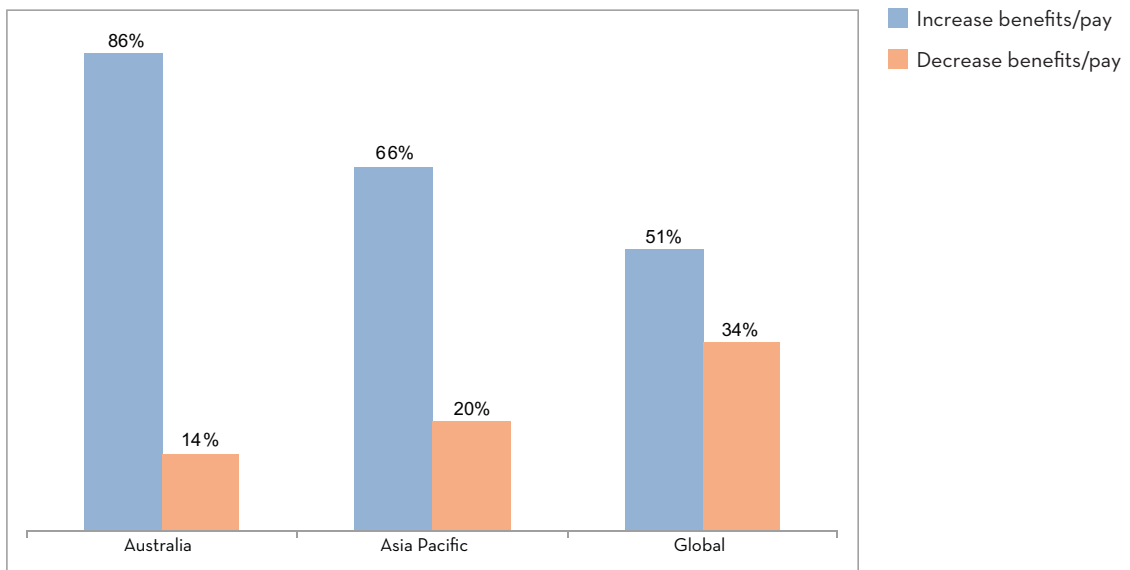


FIGURE 4  
Changes to  
be Made to  
Severance Plan  
in Next  
12 Months



## RETENTION BONUSES

Retaining key talent and sustaining employee engagement during organisational change are top business priorities, 56% offer retention bonuses. Of those who do offer retention bonuses, they are most frequently provided in the event extended notice is provided, in the instance of a plant/office closure or downsizing, or if sustained performance is required such as in the situation of a merger or sale. This finding is consistent for all regions. As the position drops from top executive down to all other positions, a drop in the amount of retention bonuses available is also seen. Most retention bonuses are negotiated on a case-by-case scenario.

TABLE 18  
Components  
Included in  
Calculating  
Retention Bonus

	Top Executives	Senior Executives	Department Heads/ Managers/ Supervisors	Professional/ Technical	All Other Employees
Voluntarily Separated					
Percentage of salary	50%	50%	0%	45%	46%
–Mean percentage	36%	38%	30%	35%	27%
Months added to severance	42%	49%	42%	34%	36%
–Mean months	4.27	6.18	4.82	5.22	5.2
Negotiated case-by-case	52%	48%	48%	48%	42%
Contingent upon years of service	17%	24%	18%	25%	20%
Contingent upon performance	13%	12%	15%	12%	10%

	Top Executives	Senior Executives	Department Heads/ Managers/ Supervisors	Professional/ Technical	All Other Employees
Voluntarily Separated					
Percentage of salary	44%	46%	36%	36%	40%
–Mean percentage	37.5%	39%	27%	25%	28%
Months added to severance	35%	36%	34%	36%	38%
–Mean months	5.14	4.89	4.78	5.5	4.5
Negotiated case-by-case	47%	57%	58%	54%	40%
Contingent upon years of service	14%	17%	12%	16%	18%
Contingent upon performance	16%	15%	12%	11%	14%

## IMPLICATIONS AND ADVICE

Having an established severance policy and practice serves a variety of essential business purposes. While an established practice is a means to comply with legally mandated standards, severance can also be an effective strategic tool. Severance practices can be used to maintain goodwill with those departing, to retain remaining employees by assuring them that their colleagues have been treated with dignity, fairly and equitably, and to maintain a positive brand image.

### Implications for Human Resource Professionals

Human resource professionals can use the benchmarking data and analysis in this report for the following workforce management initiatives:

#### To Attract Talent

Create employment contracts to better manage and control your termination and severance practices and lessen exposure to litigation. Develop a value-based talent management strategy that aligns compensation, rewards and severance practices and positions you as an employer of choice. Leverage this strategy in your recruitment efforts to attract the best and brightest candidates in the market.

#### As a Retention Tool

Demonstrating fairness and concern and providing equitable severance for those leaving your employ sends a positive message to those who remain. Should they find themselves in a similar position in the future, they know that the organisation will treat them with dignity and respect and support them with the appropriate benefits needed to transition to a new opportunity. Consider, does your key talent, whom you want to retain, view your termination and severance practices as fair and equitable? Recognise that brand building happens in bad times and in good times. Use your severance and termination practices to differentiate yourself as a place where top talent wants to work.

#### To Transition Employees

While globalising your human resource policies, it's important to make sure that severance practices fit the laws and cultures of local countries. Partner with a firm that has global resources and local knowledge to help with the nuances required for each market. Understand the needs of the different employee levels leaving your organisation and provide the appropriate benefits (outplacement, financial planning, etc) beyond normal years of service calculations (such as the economy, unemployment rates and industry trends). Make your severance benefits consistent with the values and culture your organisation espouses. Employees will remember not only what you did, but how you did it.

Ultimately, we conclude that severance is a complex issue for human resource professionals to manage, no matter where in the world you operate. It's an essential responsibility to get right because it has a dramatic impact on the lives of the individuals who have been in your employ. As a trusted partner and thought leader, we at Right Management hope that the vital information contained in this report will help you in attracting, retaining and transitioning your workforce.

# BEST PRACTICE: RESTRUCTURING FOR GROWTH

## HOW TO LEAD FAST AND FURIOUS CHANGE TO MAXIMISE ORGANISATIONAL PERFORMANCE

Smart organisations recognise that the actual severance package is only part of the equation. The entire process of restructuring or downsizing, of which severance is a component, must be run smoother, faster and with more communication than ever before.

Today's greatest organisational challenge is to downsize and/or restructure for the next stage in the business cycle. The stakes are high and our research shows it is easy to reduce head count, but much harder to avoid a consequent slide in revenue, customer loyalty and profits.

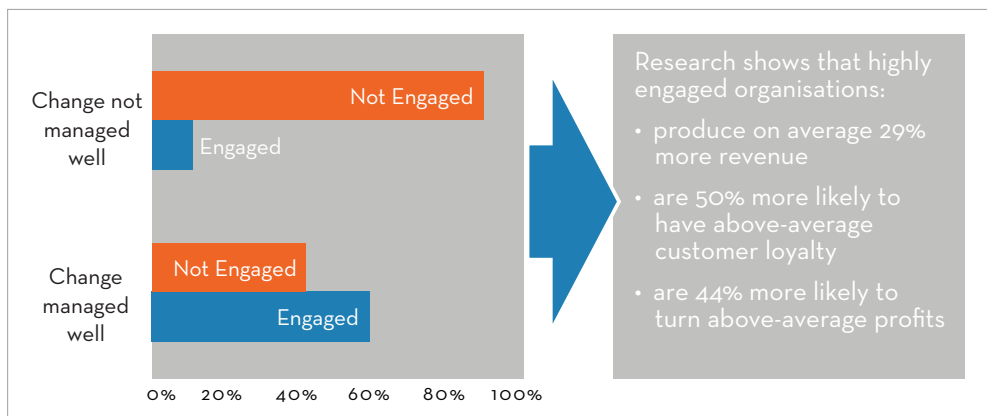
To minimise profit erosion, organisations must have an unwavering obsession on employee engagement during downsizing.

### Why focus on employee engagement during restructuring or downsizing?

The level of employee engagement has a direct link between revenue, customer loyalty and profits. Our research shows that a well managed restructuring or downsizing will result in up to a 600% improvement in employee engagement when compared to change that is not managed well. This allows an organisation to hit the ground running after change.

Our global experience helping clients has identified a range of practical activities that every organisation, strategic business unit and department should implement.

FIGURE 5  
Impact of Change  
on Employee  
Engagement



Our approach to this phase of intensive activities, staying focused on employee engagement, and maintaining business performance spans the change life cycle:

**BEFORE: Design and plan before the announcement**

As in any change the early engagement and consultation of key individuals in the formulation of the change and its implementation plan will result in early buy-in and a smoother execution.

Key activities include; review business, identify key drivers, define strategic direction, align leadership, develop new structure and plan the implementation.

**DURING: Implement, downsize & transition**

Roll out of the program should be accompanied by very well designed communication and project management plans. Key activities include; establish logistics and communications plan, define selection & redeployment offers, develop manager's capability for group and 1:1 notification meetings and provide coping with change support to all employees.

**AFTER: Redeploy, engage & retain**

Restructuring offers a unique opportunity to enhance the organisation's medium and long-term on-going agility through well planned and targeted coaching, change and career management interventions. Key activities include; conduct survivor research and align survivors, management systems and processes to new structure, whilst measuring and monitoring progress against milestones and objectives.

## ABOUT RIGHT MANAGEMENT

Right Management ([www.right.com](http://www.right.com)) is the world's leading provider of integrated human capital consulting services and solutions across the employment lifecycle. Right Management helps clients maximise the return on their human capital investments while assisting individuals to achieve their full potential.

Right Management is a wholly owned subsidiary of Manpower Inc. (NYSE: MAN), a world leader in the employment services industry, creating and delivering services that enable its clients to win in the changing world of work.

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