



careerminds

**Tools, tips, and templates to ensure
a smooth transition**

The Essential Guide to Handling a Layoff

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How to handle a layoff with confidence and care

Careful planning and preparation are key to successfully managing a layoff. But too often, the day-to-day demands of a busy workplace leave little opportunity to put in place the information and materials that allow an employer to ease – for everyone involved – the turmoil a layoff can bring.

That's why this ebook has been created.

Making the hard choices

For managers and HR professionals, having to let people go is one of the most difficult parts of the job, even when it's clear that it's a necessary step. And for employees directly impacted by that decision, a layoff is not only difficult, but it can also initially be devastating, especially when loyal and productive employees have to be let go due to a company's decision to downsize in order to remain viable. A reduction in force is also likely to affect the morale of the employees who remain on the job.

As tough as layoffs can be, it is possible to do them in ways that make things easier on everyone – ways that illustrate for laid-off employees the fact that the company cares about them as people; ways that also leave remaining employees feeling reassured by the way a layoff has been handled.

More reasons to do right by soon-to-be-former employees

Employees' emotions can run high in a layoff. It's only natural for people to stress about how they're going to pay their mortgage, feed their family, or find another job. In some instances, those worries can fuel ill will towards their employer. And mishandling a layoff can leave a company vulnerable to legal action from disgruntled former employees.



Secrets to a smooth transition

The pages that follow offer essential information – including customizable templates – covering what you need to do, say, and provide in order for a layoff to go smoothly.

THE FIRST SECTION -

“How to Lay Off an Employee” (or “Key Steps in Initiating and Conducting a Layoff”) – includes checklists, scripts, letters, and forms that cover the fundamental how-to’s of setting a layoff in motion.

THE SECOND SECTION -

“How to Select Who to Lay Off” – outlines methods typically used in the selection process and illustrates how to use multiple fact-based criteria to appropriately rank employees.

THE THIRD SECTION -

Provides a checklist to determine whether the Worker Adjustment and Retraining Act (WARN) applies to your company. It also features a Sample Letter, required by the WARN Act, offering answers to employees’ questions about the layoff and its ramifications.

Layoffs are never easy. But if and when the time comes to have one, this guide can make it easier.

“Employees and former employees may not remember why you were forced to do layoffs, but they will remember how they were treated.” – Susan Heathfield, HR Consultant

section one

Key Steps in Initiating and Conducting a Layoff

Layoffs have far-reaching implications for a company and its employees. And the decision to have a reduction in force requires an honest and in-depth evaluation of the potential pluses and minuses involved in taking that step. It demands both a clear-eyed look at the facts and possible alternatives, as well as a certain amount of soul-searching.

The information you'll find in this section will not only help with both, it also provides useful examples of effective and empathetic ways to communicate to impacted employees a company's decision to move forward with a layoff. The examples in this section can be adapted to fit the needs and policies of your company.



Sample Reduction in Force Checklist

Use these bullet points to make your own RIF checklist for use at your company.



One: Goal Setting, Analysis

- What outcome do you want to achieve? (What is the problem?)
- Are there alternatives? (Furloughs, temporary layoffs, etc.)
- Is this the right time to hold an event like this?
- What positions will be impacted by the move? (Locations, departments, teams, etc.)
- What will this achieve?
- How do you control the public narrative? (Give your outbound employees the red carpet treatment, help retained employees with their survivor guilt, etc.)

Two: Make a Plan

- Create your team. Talk with managers, executives, accountants, etc., to identify where cuts can be made and what those cuts will achieve.
- Get a better understanding of how many cuts need to be made. Where these cuts will happen (locations, teams, etc.).
- Re-examine if there are other courses of action. Can you hold a voluntary RIF?
- Voluntary retirement? Any reductions that can be done voluntarily should be thoroughly inspected.
- Completely lay out your budget to make sure your plan hits all the proper places and gets you back on track. There is no point holding a RIF if you are still going to be in the weeds when it's over.
- Create an initial timeline.
- Put everything into a document that is sent to your legal team for review to make sure you are following all local, state, and federal laws.



Three: Layoff, RIF Selection

- Establish criteria. You can use this guide to help.
- Create a team to go through this process.
- Create a list for the event. Make sure your team reviews it thoroughly.
- Start the process after finalizing the list. Make sure you talk to your legal team throughout the process.
- Review WARN Act issues.
- Prepare notices. (To learn more about WARN Act notices and how to send them, see pages 19 - 21.)

Four: Severance, Outplacement, Etc.

- Create and explore severance agreements. Pay special attention to employees who are in protected groups.
- Create all communication materials. (Layoff letters, notification letters, memos, etc.)
- Establish a way for staff members to meet with you. Also, prepare meeting times to notify those being let go. Learn more in the following pages about how to hold a layoff or RIF meeting.
- Actually hold the meeting(s).
- Hold meetings and provide communication to survivors after the event.



1. The Beginning, Explaining the Reason

The reason for the layoff should be delivered by the Manager. Get straight to the point. This can feel abrupt, but you're doing no one any favors by circling around the issue. Avoid small talk during the meeting. Get to the notification immediately and state the reason. For example, "As announced in late August, the division is adjusting our overall operating costs in response to the weakening demand for specialty products and this includes reducing staffing levels. As a result, a number of positions at this facility are being eliminated and your position is one being affected."

2. The Middle, Listening for Reactions

While you are communicating the decision and the reason for the decision, it is critical that you take the time to wait for and listen to the reactions of the employee(s) and to respond to those reactions and questions appropriately. Don't interrupt. You just want to listen and sometimes let the employee vent. They might have to take a load off their chest, or they might want to get out of the meeting as soon as possible with few words to exchange. At some point, HR will step in and transition the meeting to reviewing the severance agreement and outplacement services being offered.

3. The Middle, Presenting the Severance Agreement and Outplacement Services

In most cases, HR will review the high points of the severance agreement and outplacement services being offered to the employee. Any good severance agreement will include outplacement to help the employee transition.

A typical script for this section is: “We’ve prepared a severance agreement for you to review, which will explain the benefits being extended to you. (Review the key points of the agreement.) Your last day physically at work will be _____ (insert date). Your last day of employment will be _____ (insert date). You have 45 days to decide if you want to sign. If you choose to sign the severance agreement, you will be placed on a paid leave of absence for a period of _____ days. After the _____ days, you will receive severance pay according to the company severance schedule based on your years of service. You are also eligible for outplacement assistance that will begin immediately. Normal tax withholding will be done for the severance pay to ensure compliance with federal and state laws. We recommend you share the agreement with an attorney before signing, as it is a legal document.”

You should also review the outplacement program that your particular outplacement provider offers. This will again reiterate that you are helping them transition, which is important. Review other benefits that may apply, such as when severance will be paid, medical, 401K, pensions, stock options, etc.

4. The End, Transition of Work

Here the manager will take the discussion back to understand what work is critical they need to be aware of. Plans should usually be made to complete the employee’s current workload, as well as any unfinished projects they are involved in. If you treat the employee with respect, they will usually in turn give you the courtesy of making sure all of the work will transition smoothly.

5. The End, Exit from Human Resources

At this time, collect their badge, company keys, and any other company property they may have with them at this time. Also, review the process for removal of personal property. It is recommended not to let the employee walk back to their desk, but if it is necessary, consider having HR or the supervisor escort them back. You should allow what you feel would be respectful as part of your company culture. For large-scale layoffs, consider having EAP and/or outplacement on site to help support emotions and career transition questions. Outplacement reps often time can help with the emotional support, as well as help answer questions related to career transition.

This is never an easy meeting to hold, but this simple script for a RIF or layoff notification meeting should prepare you for a smooth and professional delivery.



Whether the layoff impacts an individual, a few, or many, this message offers a way to confirm that news via letter, form, or email memo.

Dear [Employee Name],

For the last several months, [Organization Name] has experienced financial difficulties due to economic changes within our industry. In the past years we have taken action to adapt to this new market with new product and processes. Unfortunately, this action has not resulted in increased profitability.

Due to this climate, we have come to the decision to eliminate positions within the organization. It is with the deepest regret that I must notify you of your position being eliminated from the organization.

Someone from Human Resources will call you to set up a meeting in the coming days to discuss this process and the overall implications. The HR representative will discuss with you your separation benefits. These benefits include the use of an outplacement service for assistance in finding a new position through resume writing and career counseling services. Please feel free to ask this HR representative any questions in relation to the position elimination.

We appreciate all the good work you have done during your employment.

Regards,
[Executive Name]



Use these examples as templates that can be adapted to reflect the policies of your company.

[Company Name] Severance Pay Policy

Eligibility:

This policy pertains to all
[full-time, part-time, non-exempt, exempt, contract, etc.]
employees.

[Insert any contingencies. For example, part-time workers will
only receive a prorated amount.]

Qualifying Events:

The following reduction events qualify an employee to receive
the severance pay listed in this policy:

Layoffs, RIFs, Voluntary RIFs, position elimination, downsizing,
etc.

The following events do not qualify:
Refusal of assignment or relocation

Payment:

The following chart details the amount severance employees will receive based on their tenure at the organization.

SEVERANCE PAYOUT SCHEME	
Time With Company	Severance Pay In Weeks
Less than a year	4
1–5 years	8
6–10 years	12
11–15 years	16
16–20 years	20
20+ years	24
Employee's Annual Salary:	\$75k
Time With Company In Years:	4
Severance Pay In Weeks:	24
Total Severance Pay:	#VALUE!

Vacation:

All accrued and unused vacation days at the date of termination will be paid out in full to the employee.

Commission:

All commissions earned leading up to the employee's termination will be paid out in full. If your pay is commission based, your severance payout will be your average weekly pay from your tenure at the organization.



The following outlines the final steps in the layoff process, including those that play role in the transfer of knowledge and the return of company property.

1. Send out communications to appropriate people notifying them of the person's departure

This can include the person's coworkers, peers, direct reports, and any other external stakeholders to the organization that should be made aware.

2. Set up a knowledge-transfer plan

Your leaving employee will need to transfer over any specific knowledge about their work to their successor or another team member.

While we are referring to the more complicated knowledge transfer of details and skills about a specific project, we also mean simple knowledge transfer. For example, phone numbers of external vendors, keys for cabinets, etc.

3. Return company property

- Cellphones
- Laptop
- Specialized equipment
- Company car
- Company credit card
- Etc.

4. Update internal systems

Remove your employee from IT systems, security, etc. Also, if you have a company intranet that hosts the org chart, make sure to update that as well. Complete final payments in the payroll system.

5. Conduct an exit interview, or have employee fill out an exit questionnaire

Ask questions about the employee's motivations for leaving, issues with their position, etc.

section two

How to Select Who to Lay Off

After determining that a layoff is, in fact, unavoidable, the question of who to lay off looms large. And because the selection framework for that decision can expose employers to the risk of lawsuits, it's important to take steps to ensure that the choices made do not adversely affect employees in one or more protected categories, such as race, age, gender, or disability. The most reliable way to accomplish this is by establishing criteria that are objective, measurable, and correspond to the company's legitimate need to implement a reduction in force.

Though bottom-line considerations typically drive a lay-off decision, at the end of the day it's really about people. Treating employees with respect and simple kindness goes a long way towards making a difficult situation easier to bear. Let people know that they're being let go not because they weren't good employees, not because their hard work hasn't been appreciated, but rather because the company's finances left no other choice.

There is no one-size-fits-all approach to formulating a strategy regarding who will be laid off. However, the guides you'll find in this section are designed to help you arrive at an approach that best serves your company and your employees.

"Transparency, honesty, kindness, good stewardship, even humor, work in businesses at all times."

John Gerzema, CEO, Harris

Insights and Analytics



METHOD #1: SENIORITY-BASED SELECTION

Definition: Lay off employees based on shortest tenure at your organization.

Pros: Easy, helps avoid age discrimination.

Cons: Overly simplistic, doesn't help avoid other types of discrimination.

METHOD #2: EMPLOYEE STATUS-BASED SELECTION

Definition: Lay off employees based on their part-time or contingent worker status.

Pros: Easy, help better manage your employer brand.

Cons: May need to be used with a different method, doesn't take into account an organization's reliance on contingent workers.

METHOD #3: MERIT-BASED SELECTION

Definition: Lay off your poorest performing employees.

Pros: Helps get rid of poor performers, easy to execute if you have performance reviews.

Cons: Performance reviews can be subjective, which can lead to legal liability and doesn't take into account the importance of different departments.

METHOD #4: SKILLS-BASED SELECTION

Definition: Retain employees with skills most impactful to your organization, and layoff those not in this category.

Pros: Help keep talent in areas that are helping to improve your organization's bottom line.

Cons: Difficult to achieve the amount of cross-department collaboration to pull this off.

METHOD #5: MULTIPLE-CRITERIA RANKING

Definition: Create a weighted formula that puts emphasis on different criteria most important to your organization then lay off employees who rank poorly.

Pros: You will be able to customize this to reflect the factors that are most important to your organization.

Cons: It can be difficult to set up, and must be exhaustively tested against discrimination laws.



STEP #1: SELECT YOUR RANKING FACTORS

Example: tenure at company, certifications, promotability, performance reviews

STEP #2: CREATE A SCALE FOR EACH FACTOR

Tenure (1-5) Example:

<1 year: 0 1-5 years: 1 6-9 years: 2 10+ years: 3

STEP #3: ASSIGN WEIGHTS TO DIFFERENT FACTORS BASED ON IMPORTANCE

Example:

Tenure = 0.5

Certifications = 2

Promotability = 1

Performance Reviews = 3

STEP #4: HAVE YOUR HR ANALYST CREATE THIS FORMULA FOR YOU

STEP #5: HAVE YOUR ANALYST AND LEGAL COUNSEL TEST THIS MODEL FOR DISCRIMINATION LIABILITY



STEP #6: SCORE YOUR EMPLOYEES USING THE MODEL YOU'VE DEVELOPED

Example:

Tina= 7

Lisa= 28

Steve= 19

TINA	<ul style="list-style-type: none">• 2 years of employment (1)• 1 certification (2)• 1 good performance review (3)• Promotability (1)	TOTAL: 7
LISA	<ul style="list-style-type: none">• 10 years of employment (3)• 6 certifications (12)• 4 good performance reviews (12)• Promotability (1)	TOTAL: 28
STEVE	<ul style="list-style-type: none">• 10 years of employment (3)• 5 certifications (10)• 2 good performance reviews (6)	TOTAL: 19

STEP #7: SORT YOUR EMPLOYEES BY LOWEST TO HIGHEST SCORE

STEP #8: SELECT EMPLOYEES

In ascending order, select employees to be let go until you reach your financial goal based on the total sum of each employee's salary.

section

three

Worker Adjustment and Retraining Notification

Passed by Congress in 1988, the WARN ACT is a law that protects employees, their families, and communities by requiring employers in certain situations to provide 60-day advance notification of plant closings and mass layoffs.

This advanced notice not only gives workers and their families time to adjust to their impending job loss and its financial impact, it also allows them to look for future employment, and, if necessary, enter retraining programs that will enable them to be successful in landing a new job.

The provisions of the WARN Act don't apply to every workplace. But if it applies to yours, you'll want to know - not only for the sake of your employees, but also to protect your company from the fines and penalties the can result from violating the WARN Act's mandates.





STEP #1: DOES THE WARN ACT APPLY TO MY ORGANIZATION?

Write "yes" next to any of the following that apply to you:

My organization has 100 or more full-time employees.

My organization is a privately or publicly-traded company (not-for-profit or for-profit, both count)

If you entered "yes" above, the WARN Act applies to your organization.

STEP #2: DO YOU NEED TO GIVE A WARN NOTICE TO YOUR EMPLOYEES?

Write "yes" next to any of the following that apply to you:

My reduction in force is a plant closing (if one or more facilities or operating units in a given location anticipate a shutdown that will affect more than 50 workers AND last more than 30 days)

My reduction in force is a mass layoff (if a series of layoffs over a 30 day period will result in the loss of 500 or more employees, or if a series of layoffs of more than 50 or less than 500 employees over a 30-day period will result in a loss of 1/3rd of the workforce)

If you entered "yes" above, the WARN Act applies to your organization.

STEP #3: PROVIDE NOTICE

If you answered "yes" above, you are required to provide a notice to your employees. Check the box below once you have complied with the Warn Notice regulations:

I provided ALL affected employees with 60-days notice of their position being laid off.

Always consult with your corporate counsel before using our checklist.



To: _____

Name of Employee Position

Date: _____

As a result of our businesses financial results, [insert company name] will be having a reduction in force. We would like to inform you that you are likely to be laid off in this upcoming company reorganization. This notice is in compliance with the Worker Adjustment and Retraining Notification (WARN) Act.

The information below should help provide you with answers to questions you may have about the upcoming reduction in force and company reorganization.

- 1.** Insert information about whether the reduction will be permanent, or if employees will be temporarily laid off and then recalled. If you have employees in both groups, make sure to explain who will be impacted.
- 2.** In this section you will need to go over the specific logistics of when, how, and where an employee will be let go. If you aren't for sure about this information, try to zero in on something quantitative, such as a range of dates. This will help your employees prepare for their job search if they are being permanently laid off, and figure out their finances if they will be temporarily laid off.

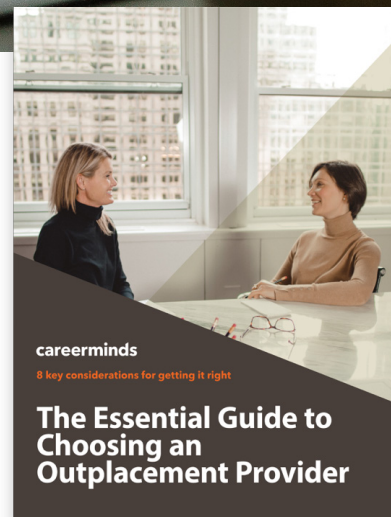
- 3.** Insert information about bumping rights. Several organizations have policies around bumping rights. Bumping rights are the right of an employee to bump off a lower level employee to keep a job at an organization in a reduction in force. For example, if you are going to lay off your line manager, he could bump out a line employee to keep a job at the organization. He would have to be in the lower position and receive lower pay, but he would still have a position. So, in this section, make sure to describe what bumping rights your employees have and how they should execute them.
- 4.** List what severance benefits your organization offers employees. The benefits will probably be different based on if your employees are being temporarily laid off or permanently let go. Employees that are being temporarily laid off will need information about the continuation of their health and financial benefits, while permanently laid off employees will need information about severance pay and outplacement services.
- 5.** Include the contact information of someone in Human Resources at your organization to answer any questions that your employees might have about this WARN letter.





Let Laid-Off Employees Know You Care.

By providing access to Careermind's proven outplacement services, you'll help laid-off employees feel positive about their future and your company.



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