Best Practice Bulletin

CBIZ

Resizing and Reshaping Your Workforce

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Workforce Reduction Programs

One way to accomplish an immediate reduction in force is by implementing a workforce reduction program, also known as a separation program. Employers may choose to implement a voluntary program, an involuntary program or a combination of the two.

- **Voluntary:** The employer offers incentives to certain employees in exchange for their agreement to terminate employment and refrain from legal action against them. Companies often design voluntary programs for older workers with longer tenure, so they are sometimes referred to as an "early retirement incentive program" (ERIP) or "early retirement window."
- **Involuntary:** The employer selects certain employees for termination and offers them incentives in exchange for their agreement to refrain from legal action against them. Also referred to as a "severance package."

Design Considerations

Most companies rely on a trusted professional to help them weigh their options and define the key features of their workforce reduction program, such as which employees will be included in the program and what incentives will be offered.

Implementation and Administration

After finalizing the details of your program, the next step is to communicate the details to the affected employees. A third-party service provider can help you prepare and deliver the official communication materials for your program to ensure that you comply with all legal requirements for program documentation. Furthermore, ongoing program administration is a multi-faceted endeavor that most employers are not comfortable navigating on their own. Many companies use a third-party service provider for administration as well to free up staff to focus on their day-to-day responsibilities.

Supporting Employees

After the program has been implemented, it is crucial not to forget that your employees, both current and former, rely on you to support their financial well-being. Depending on the type of program, you may want to offer outplacement assistance and financial planning services to terminated employees.

Recognize that the remaining employees may feel a complicated mix of emotions, and it is important the employer address these concerns. The most important thing is to support these employees and communicate with them honestly and directly about the reduction in force.

Why Act Now?

There are numerous factors that can impact the timeline of a workforce reduction program, so employers should act as soon as possible to take full advantage of all available design options.