

# Results of the Right Management Florida/Caribbean Severance Practices Survey

## Executive Overview



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# SEVERANCE PRACTICES IN 2021

When we look at workforce data across the US – we are seeing a seismic reshuffling.

Historically, operating in a volatile economy means the only certainty is uncertainty. It has never been more difficult to predict the future. The pandemic and shifting priorities has forced organizations to right-size and realign talent. As it has always been, it is in the organization's best interest to take care of departing employees, as the effort will affect future retention and recruitment efforts along with the engagement of remaining employees. This is more important now more than ever.

Right Management Florida/Caribbean's latest study of severance practices examined specifically what is of most concern and what might change given the current climate. The following is our findings including input gathered from 60 top executive and key leaders representing a variety of industries. Our goal is to bring light to the shift in climate and work practices and provide insights into how companies are defining their severance practices in real time. These are the highlights from the study.

## KEY SURVEY FINDINGS – THE HEADLINES

Company policy guides formal and informal severance practices that cover all regular employee levels after 1-12 weeks of employment and triggered primarily by RIFs, restructuring and position elimination.

Executives earn more severance than all other employee levels and severance is based on length of employment, typically paid out in lump sum or via regular payroll. Most companies require signed releases/agreements; typical benefits include salary, vacation accrual, outplacement services and extended health benefits.

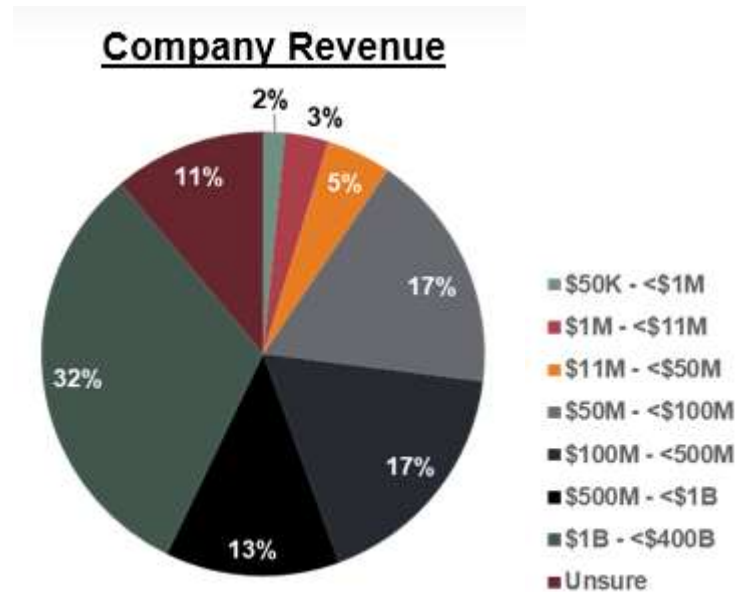
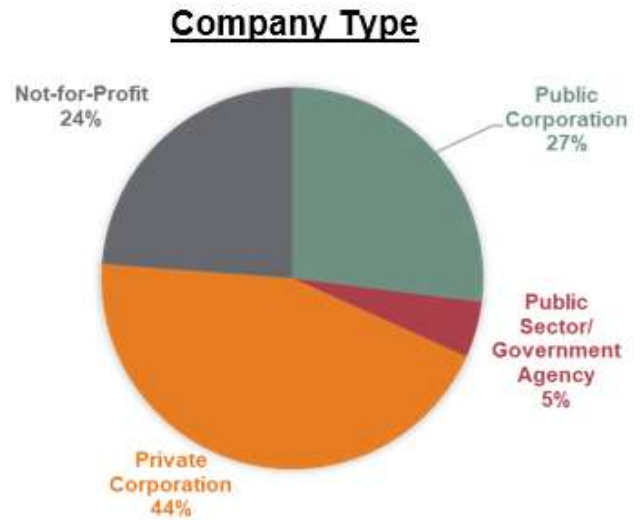
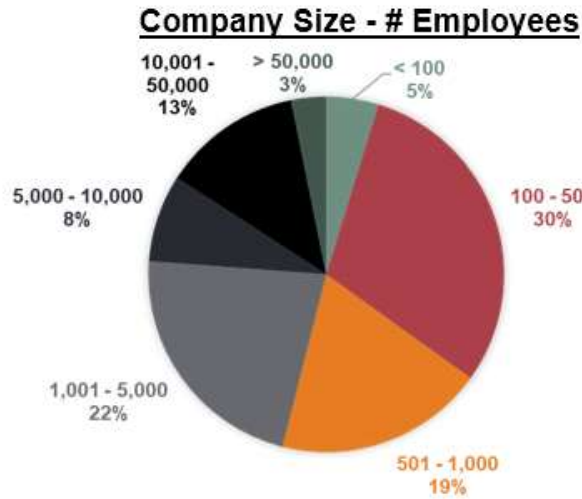
Almost 2/3 of companies voluntarily offer outplacement services, but do not offer cash in lieu of these services.

Most companies reviewed their severance practices but made minimal changes; most have no plans to review severance practices in the future.

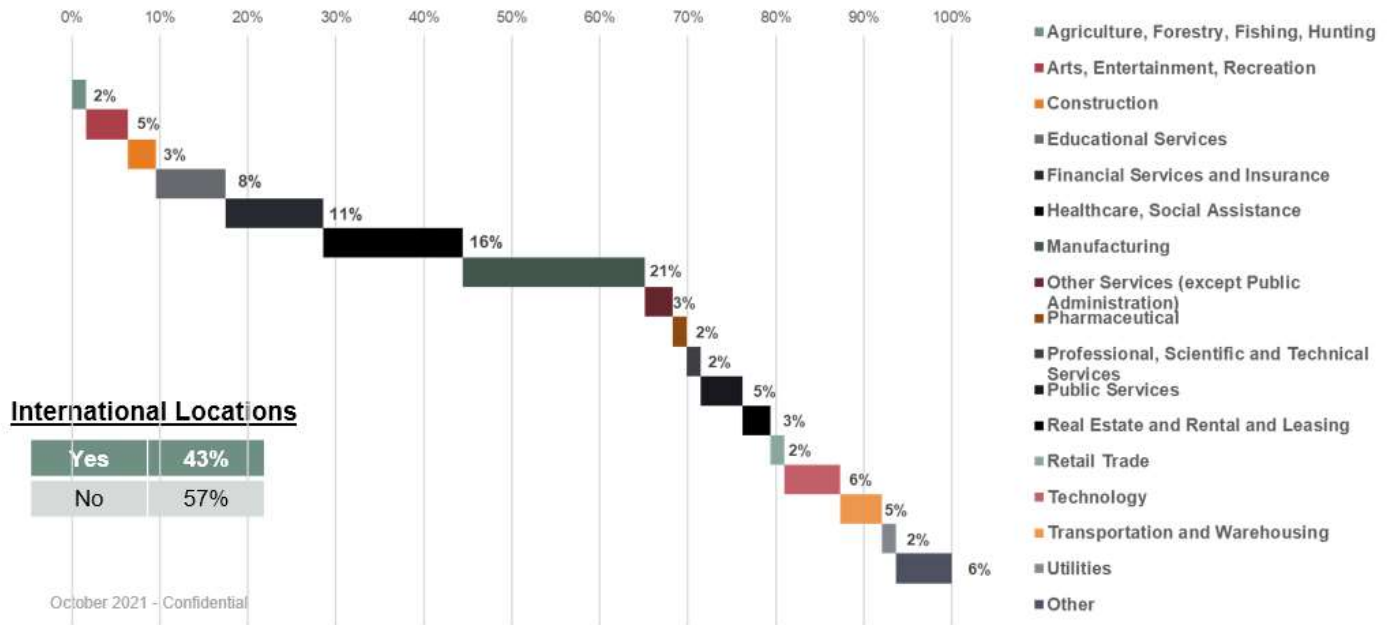
Many feel their severance practices are very effective at minimizing lawsuits and demonstrating their human touch; those who report highly effective practices have documented company practices, are subject to minimal regulations, offer severance to all levels, and offer outplacement services.

## THE SURVEY DEMOGRAPHICS

Respondents included HR leaders for all company sizes, types, and revenue groupings.



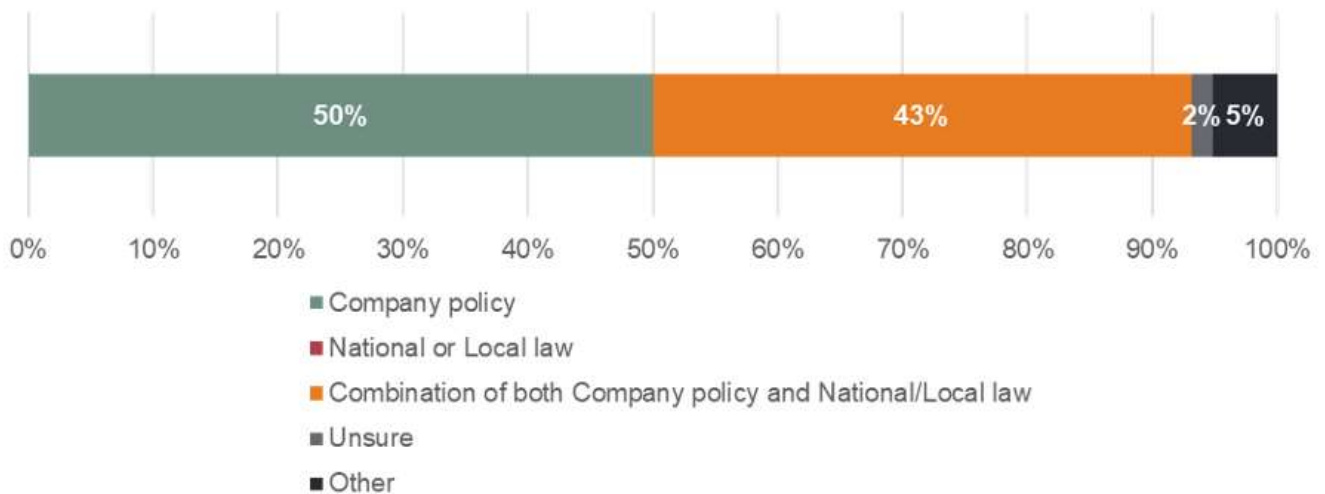
Leaders responded from a wide range of industries, some with international locations.



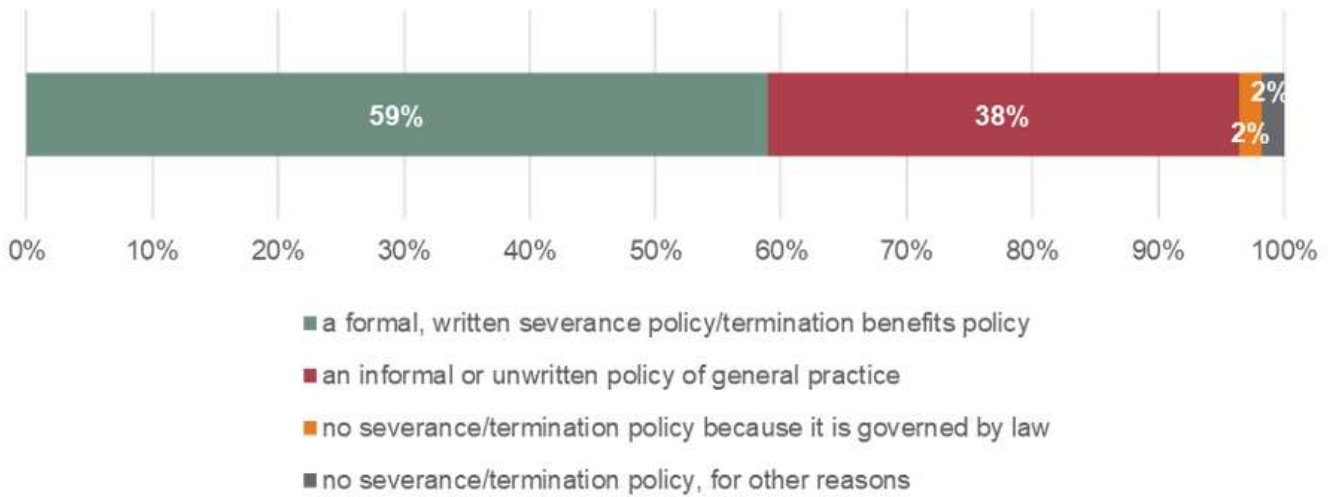
## INSIGHTS:

### SEVERANCE POLICY IS SHAPED PRIMARILY BY COMPANY POLICY

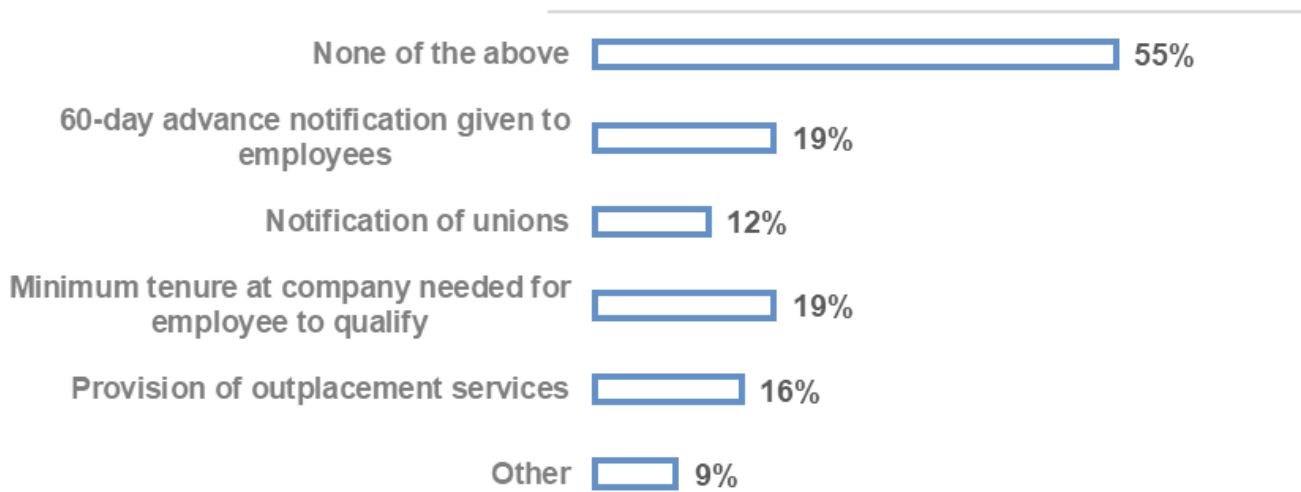
Company policy guides formal and informal severance practices that cover all regular employee levels after 1-12 weeks of employment and triggered primarily by RIFs, restructuring and position elimination. Other factors included business consolidation and performance, market-driven influences, and the practice (in lieu of policy) of supporting leaders who are not a good fit.



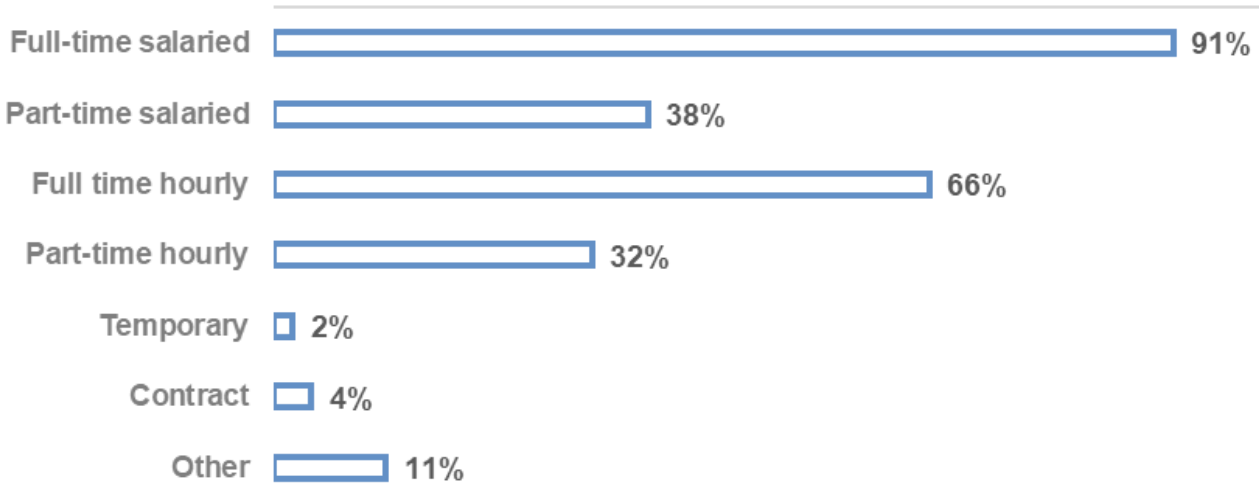
Of those responding, 97% have a formal or informal severance policy.



Most companies are not required by law to offer these components in their severance practices.



Full-time and Part-time employees are eligible for severance.



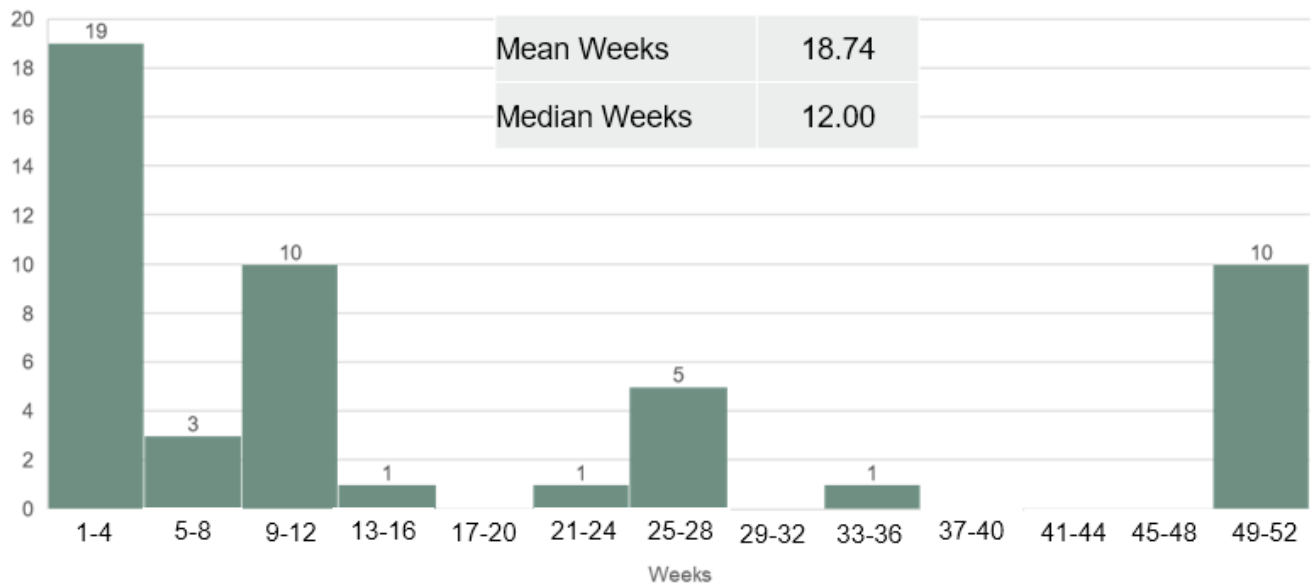
All employee levels are eligible for severance.



Primary triggers for severance include position eliminations, RIFs, restructuring, and involuntary terminations.



The minimum amount of time working to qualify for severance for most companies is 1-12 weeks of employment with the mean number of weeks being almost 19 weeks and the median being 12 weeks.



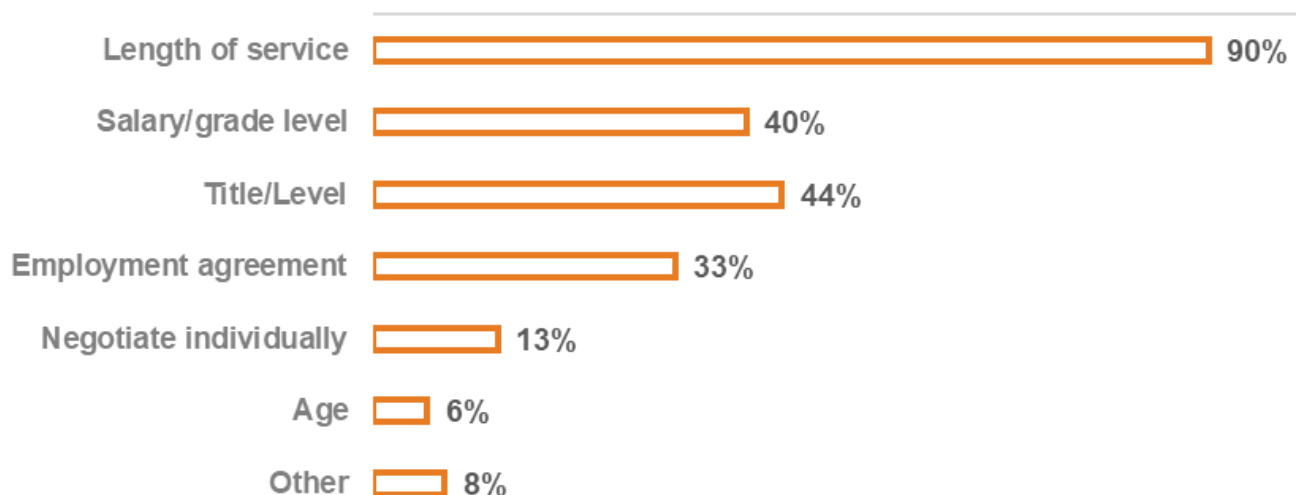


## EXECUTIVES EARN MORE SEVERANCE PER YEAR OF SERVICE

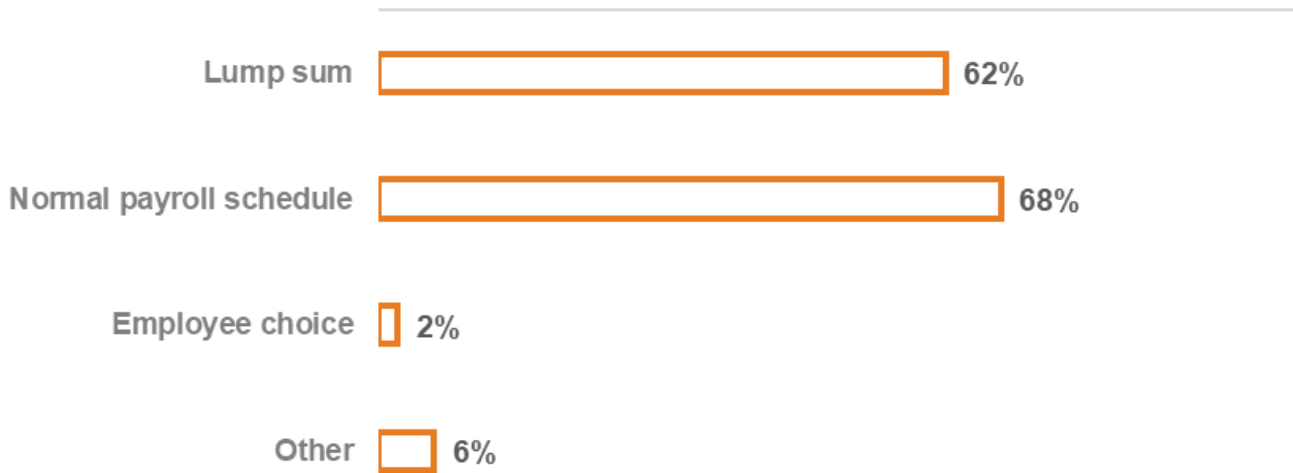
Executives earn more severance per year of service compared to any other employee level with top executives having significantly more weeks earned than next level senior executives and department heads.

Voluntarily Separated	Mean # of Weeks Earned per Year of Service
Top Executives	5.88
Senior Executives	1.76
Department Heads	1.79
Managers & Supervisors	1.78
Professional/Technical	1.78
All other employees	1.65
Involuntarily Separated	Mean # of Weeks Earned per Year of Service
Top Executives	9.97
Senior Executives	4.80
Department Heads	3.66
Managers & Supervisors	4.21
Professional/Technical	3.35
All other employees	2.94

Most companies use length of service to calculate severance payouts.



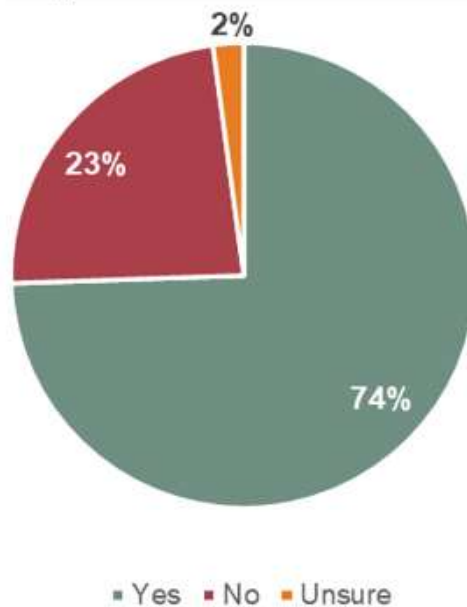
Most companies use lumps sum and/or their normal payroll schedule for severance payouts.



## OUTPLACEMENT SERVICES REMAIN A PART OF THE PACKAGE

The majority (74%) of respondents reported outplacement services are voluntarily offered as part of the severance package. Some plan to add outplacement services upon review and/or update of their severance practices.

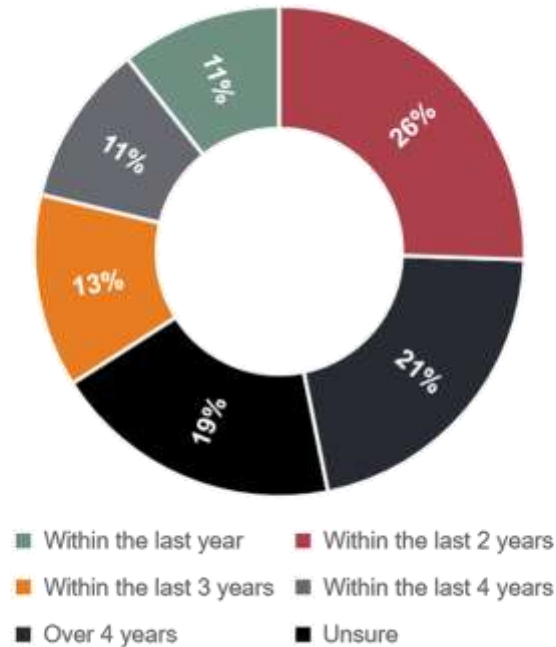
**Outplacement Services Provided**



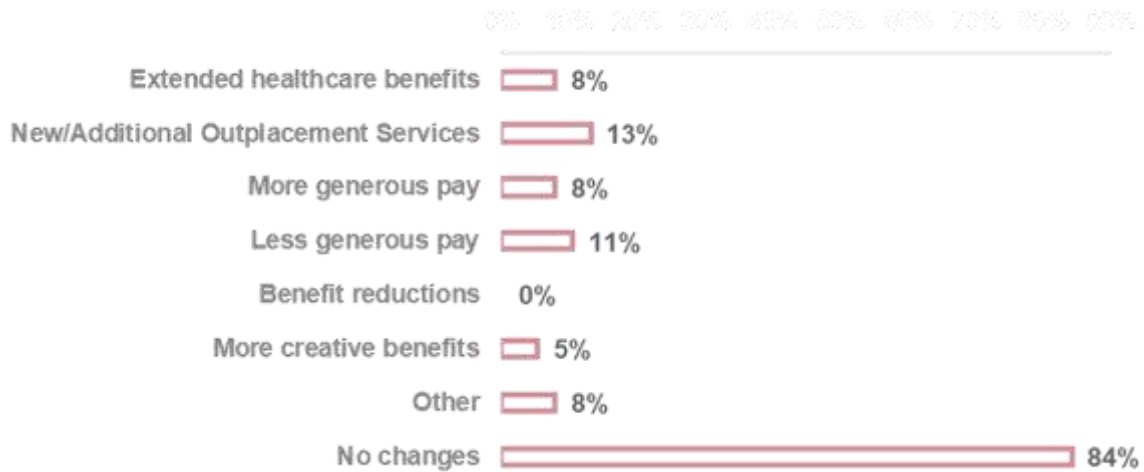
## SEVERANCE PLAN CHANGES

Many companies recently reviewed their severance practices, but most made no changes.

### Severance Policy Review/Update

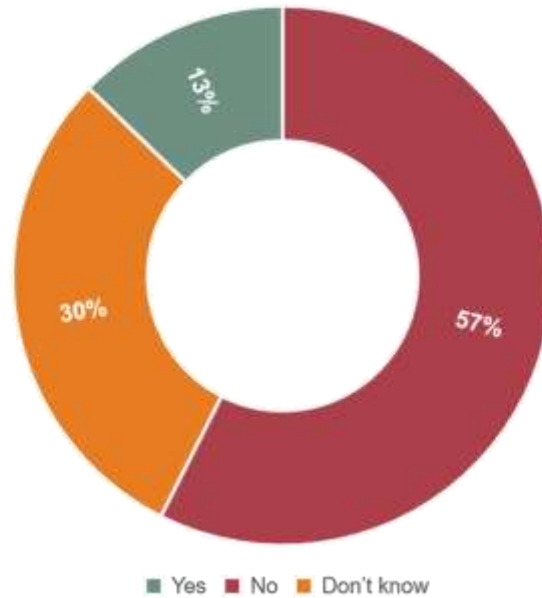


### Changes/Updates Made

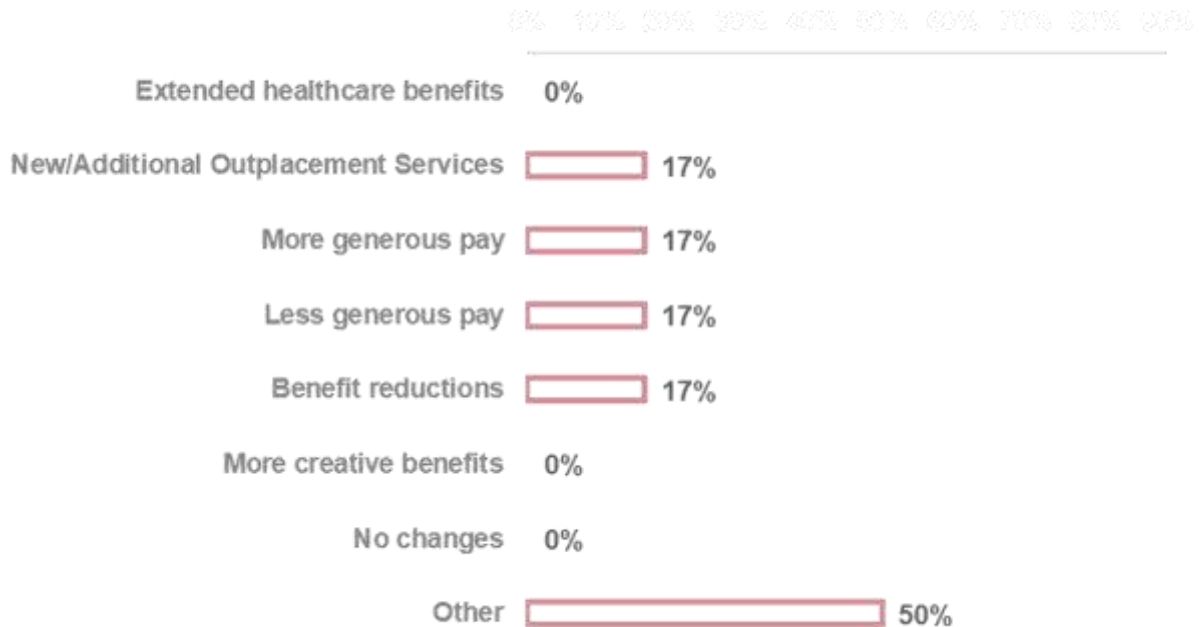


Few organizations have future plans to review/update their severance practices. Those who do (6%) will focus on compensation, benefits and adding outplacement services.

### **Future Plans to Review/Update Severance Policy**

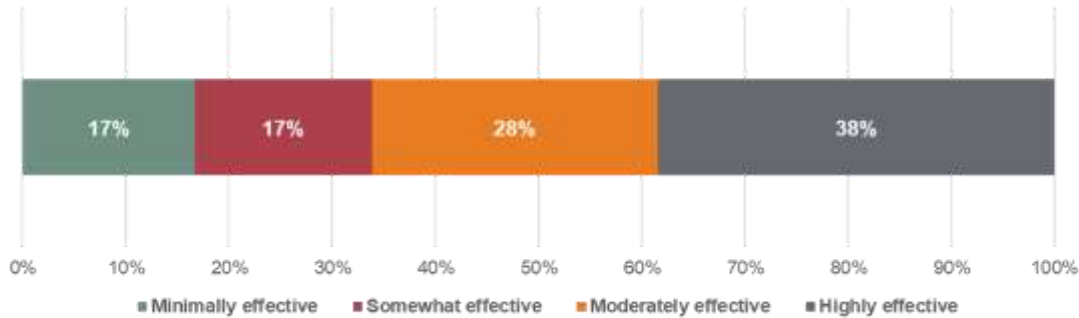


### **Future Planned Changes/Updates**



## HR LEADERS FEEL THEIR SEVERANCE PRACTICES ARE EFFECTIVE

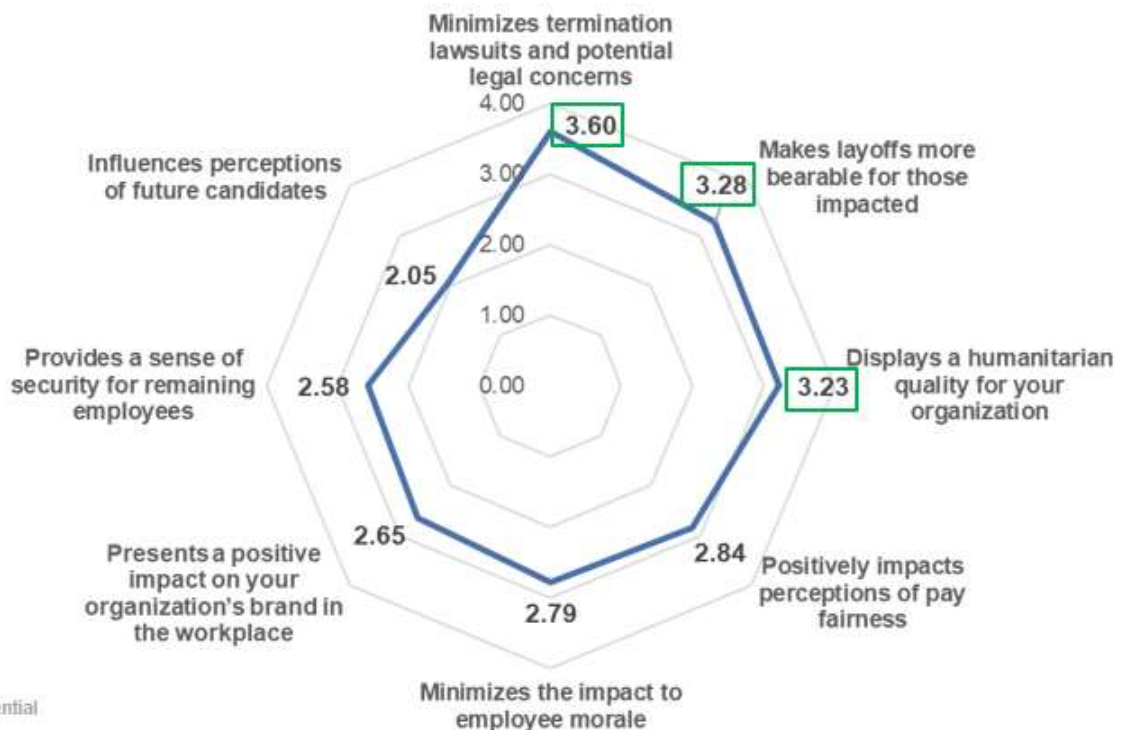
HR leaders (66%) reported they feel their severance practices overall are moderately to highly effective. This could contribute to the lack of future plans to review/update current policies.



**Overall Effectiveness (mean)**  
**2.88**

Respondents rated effectiveness using a 4-point scale:  
(1-Minimally effective, 2-Somewhat effective, 3-Moderately effective, and 4-Highly Effective)

That said, HR leaders rate their severance practices most effective for minimizing legal issues and enhancing their human touch.



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# THE PATH FORWARD >>>

## **Use this research to examine your severance practices.**

Having an established severance policy serves to support your broader workforce strategy. While a formal 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—should companies later want to rehire separated employees or attract new talent. Severance is one of the keys to ensuring a difficult action has the best possible positive outcome while speeding the return to productivity, profitability, and employee engagement.

## LEGAL DISCLAIMER

This executive overview contains information of a general nature and should not be used solely as a guide or as a supplement to other sources. While we have made every effort to provide accurate information, you should consult legal counsel for advice on any particular situation related to specific polices and/or practices.

# About Right Management

Right Management has more than 40 years of expertise in the world of work. Our global offerings provide outplacement, career management and leader development solutions to enhance organizational performance and build future-ready talent. We have successfully transitioned more than 4 million people into new roles in over 70 countries. Right Management serves 80% of the Fortune 500 and 70% of the Global Fortune 500.

Tom and Maureen Shea launched Florida's first Outplacement firm, which became a founding division of Right Management. Right Management - Florida/Caribbean is a woman-owned business and has been recognized as a Best Place to Work by Florida Trend magazine for 9 years. Our CEO, Maureen Shea was recognized by the South FL Business Journal as a 2021 Ultimate CEO Honoree.

Clients give Right Management - Florida/Caribbean consistently high marks for all services provided, pointing to the depth of business experience and personal passion of each team member as the key reasons for Right Management Florida/Caribbean exceeding expectations.

Corporate Social Responsibility is a core value of Right Management - Florida/Caribbean. We care deeply about our communities and work to make a real difference in the diverse communities in which we serve.

For over 70 years, our parent company, ManpowerGroup has developed unique insights on the issues impacting organizations and individuals in today's ever-changing world of work. Our resources feature the latest workforce trends and insights, thought leadership, career advice and more.

