

ALTERNATIVE TO REDUNDANCY DUE TO A CESSATION OF WORK 'VOLUNTARY REDUNDANCY PROGRAMMES'

By Herbert Mühlenhoff

The current labour market shows in some areas an unemployment rate of 25%+. In general the market can be described as stable, yet in certain areas it is characterised by a lack of skilled personnel. However, severe layoffs can be observed simultaneously: Large corporations and medium-sized companies have announced cuts of at least 150,000 jobs in 2012/2013 due to restructuring. In this situation HR is expected to provide and apply suitable operational tools.

1. VR

When employers are forced to reduce their personnel via large scale redundancy plans and terminations due to a cessation of work then VR are on the agenda. In the last decade outplacement has proven to be a good tool for termination management. Organisations are now applying a supplementary tool: They build on VR to handle staff reductions and transitions in a fair and socially acceptable manner. External consultancy is offered to employees to facilitate the decision making process.

In the process of reducing staff employers refrain from giving notice on the basis of a cessation of work. Each employee is free to decide whether to accept a termination agreement. Employers, on the other hand, are equally free to decide to whom they offer – or do not offer – a termination contract including a redundancy package. Only when both parties declare their mutual consent does the termination agreement materialize.

For VR to succeed employers can offer their employees additional external career counselling during the decision-making process. Employees who decide to pursue their career outside the company receive additional outplacement consultancy.

Tip

Typically, the entire process can be facilitated on the basis of an agreement concluded between employer and works council.

Employers have two ways of introducing VR i.e. the selective or the non-selective method. Organisations choose more often the former and offer only selected staff a termination agreement including a redundancy package.

When applying the open procedure every employee is offered a termination agreement. Following this route may, however, involve the risk of highly qualified and engaged staff leaving the organisation first as they are aware of their good career prospects.

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2. Advantages for the organisations

VR allows organisations to avoid the selection of staff for redundancy based on the application of so-called social criteria such as age or the number of years the employee has stayed with the organisation. The disadvantages of this selection process are well-known as the organisation may lose the most valuable staff, staff they badly need for the reorientation of the organisation. Furthermore, VR opens up possibilities to prevent legal disputes which often arise out of notices given on the basis of cessation of work. Disputes can delay the implementation of goals associated with the staff reduction to such an extent that organisations will find it difficult to manage their organisations in the meantime. Organisations know that the public watches mass layoffs and individual notices keenly. That is why they often prefer a solution whereby both employer and employee part on amicable terms, thus enabling the employer to implement envisaged restructuring measures without giving notices based on cessation of work.

Important

Experience shows that this way many employers can reduce the number of notices significantly or avoid them entirely.

Another reason to offer employees the opportunity to take personal ownership of their next career move is the positive perception among the staff themselves. The alignment process based on VR supports those concerned and is therefore much smoother to implement. It is also viewed positively that the organisation, which uses external consultancy to further their own strategic undertakings, gives their employees readily access to external consultants and their expertise and know-how.

One disadvantage, however, should not go unnoticed: If an employee receives a redundancy offer he will know for a fact that the organisation can imagine a future without him. This may have an adverse impact on loyalty, morale, motivation and productivity if the employee decides to remain with the organisation.

3. Employees' benefits

Organisations that want their employees to take informed decisions on their professional future need to provide additional qualifications and training. Only then will employees be in a position to assess more accurately their job prospects, strengths and the labour market in a particular functional area or sector. Independent consultants will help employees to judge whether they can and want to continue their careers with another organisation/employer or whether they want to remain with their current employer and work, possibly, in another job. This type of support is also known as "Perspectives and Orientation Counselling" and can, once a decision has been taken, lead to professional reorientation consultancy.

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The ACF Europe Newsletter of December will feature an article by Bev White entitled:

**'MOMENTS OF TRUTH,
WHY ON-LINE ONLY TOOLS
FOR CAREER TRANSITION WILL
NEVER BE THE REAL DEAL'**

Bev is Managing Director
HR Consulting at Penna Plc, UK
and President of ACF Europe

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Important

Many employees need support in times of reorientation as they often lack a thread to follow to further their careers. Organisations may engage external consultants who in their position as neutral advisors play an important role which neither managers nor internal HR consultants can fill. The aspects the employee and the consultant need to discuss and assess during the decision-making process are often of a very delicate nature and touch on professional, personal, family and financial issues. Trust and confidentiality are essential.

Typically, the situation in which the employee is expected to take a decision whether to stay or to leave is perceived as highly emotional. A competent and experienced sparring partner can ease the situation considerably. Also there are disengaged staff that look forward to receiving support in finding a new job.

Objective counselling empowers employees to appraise their chances of a career outside the organisation. The outplacement consultant's thorough knowledge of the market helps the employee to evaluate the individual situation realistically and to recognize chances and prospects which may open up – or are unlikely to materialize. Not only are the consultants familiar with the labour market and the specific job and functional requirements, they also possess in-depth sector experience which allows them to assess alternatives, which would require the employee to change sectors, accurately.

Tip

Experience shows that employers should offer their employees between four and eight hours of consultation to facilitate the decision-making process. Outplacement consultants are ideally suited to accompany this complex process.

4. Role of the consultant

For VR to succeed and employees to take personal ownership of their planning for the future, it is imperative that the outcomes of the counselling are not predetermined. Every reputable consultant will follow this ethical standard which may lead occasionally to discussions with the client organisation but always keeping confidential discussions with the employee confidential. But there is no alternative to building mutual trust between the employee and the consultant.

The situation requires of each consultant an exceptional sense of responsibility and skill. The view must encompass the old as well as the new potential position. Consultants need additional skills to accompany personal transition situations and to facilitate individually tailored decision-making processes. It is by no means the consultant who decides who will be given a notice.

Important

Mutual trust between the employee and the consultant is vital. It is the task of the consultant to provide guidance. The decision, however, is always made by the employee himself.

5. Conclusion

Increasing personal ownership in times of restructuring has become a clear trend. Organisations announce these days often that restructuring shall be implemented in a socially acceptable manner and without redundancies on account of a cession of work.

This helps employers succeed in terminating employment with employees who are already on the verge of leaving. It is also important to engage works councils, to build trust, as well as immediate managers who will have to explain the upcoming organisational changes.

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