

# Eight Steps to Instituting a Successful Reduction in Force, and One Interesting Alternative

By Elliot R. Susseles, Senior Vice President, The Segal Company, and  
Cathie G. Eitelberg, Senior Vice President, The Segal Company

Not a day goes by without news of the fiscal struggles of states and localities. Coast to coast, rural to urban, and affluent suburb to center city, economic pain is becoming the great equalizer. As tax revenues decline and service demands rise, governments are facing Solomonian choices. While some have reserve funds to meet these challenges, others are exploring strategies to reduce expenses and balance their budget.

Because employment costs represent 60-75 percent of an entity's general fund budget, they are often the first candidate for cuts. Most organizations will first implement a hiring freeze or a wage freeze or cut. The next step is usually more severe, such as a reduction in force. Because most governments take such actions only in response to a crisis, they often need to move quickly. Even if an organization's financial situation is dire and requires immediate action, there are approaches that can yield results that support the organization's service mission and long-term viability.

## Eight Steps to a Successful RIF

### Step 1. Identify the Fiscal Goals

The first step any government must take is to determine how much it wants to save by cutting its workforce and whether it wants to realize one-time or recurring savings. Although an organization can achieve one-time savings by leaving vacated positions empty until revenues increase, it can achieve recurring savings by eliminating vacated positions altogether and permanently reducing the size of its workforce.

### Step 2. Determine What Approach to Use

Governments must also decide whether they will meet their fiscal goals with involuntary or voluntary job reductions. An involuntary, across-the-board RIF typically spares employees with seniority, but this can result in the loss of future leaders because more lower-paid employees will be let go. In addition, employees have no input in a general RIF; managers make decisions about who will be let go based on the organization and position classifications.

Conversely, a voluntary RIF identifies a number of positions to be eliminated within position classifications based on business needs and then allows employees in that classification to decide if they want to leave.

### Step 3. Offer Incentives

To make it more desirable for employees to leave voluntarily, a government can offer incentives. While incentives cost money up front, they can be one-time, nonrecurring costs. In addition, specific incentives are more appealing to certain categories of employees. For instance, payment for years of service may be more attractive to long-term employees, tuition assistance may interest employees earlier in their careers, and assistance with health care costs may appeal to employees with families.

Another alternative is early retirement for employees who are at or near retirement age. This frequently turns out to be more costly than anticipated because it can increase retirees' health costs, create unfunded pension liabilities that require

future funding, and create a talent drain since the offer must be extended to all employees in a predefined eligible group so it is not viewed as discriminatory.

### Step 4. Establish Mission-Critical Classifications

Once a government determines how it will reduce its workforce, agency and department heads must identify the positions to be included in the RIF, with the primary goal of minimizing the impact on services. Organizational units should develop business justification plans to document their decisions regarding which positions to eliminate. Including both financial and HR leaders in these discussions will ensure that each unit remains able to meet its goals. Thoughtful planning can help improve departmental operations and efficiency.

### Step 5. Integrate Departments and Employee Groups

For governments with unionized workforces, the rules for conducting a RIF are frequently included in collective bargaining agreements that require basing employee retention decisions on "inverse order of seniority." This results both in retaining the most highly paid workers and letting go a larger number of lower-paid workers than likely desired to reach savings targets.

While governments that are not unionized are unaffected by collective bargaining agreements, personnel policies and regulations may still constrain the impact on operations.

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### Step 6. Create Communication and Outreach Programs

In addition to legally required communications to employees in the affected classifications, a government that is implementing a RIF should communicate frequently with all employees to maximize the transparency of the process. Communications can include face-to-face meetings and information sessions, Web sites, call centers, newsletters, workshops, e-mail boxes and frequently asked questions and resource sheets. Government leaders should deliver all important messages while consistently reinforcing the greater goal of the staffing reduction. One key goal of communicating is to ensure that employees do not feel personally targeted and understand why the RIF is necessary and how it will take place. Providing avenues for employees to ask questions allows them to make decisions that best meet their needs. In addition, external communications to the local press can help explain the rationale for the RIF and create buy-in in the community.

### Step 7. Develop Implementation Plans

Detailed plans to implement a RIF are necessary to ensure that each department involved in the program knows its role and the steps it needs to take to make the process run smoothly. While HR generally leads a RIF, other departments—including legal, payroll and finance—will also have significant responsibilities. Designating a project manager to coordinate a RIF can minimize operational challenges and improve responsiveness.

### Step 8. Measure Success

To determine whether its RIF is successful, a government must set benchmarks for success up front and evaluate the process once it is completed. Measurements may include

- Costs and savings. It is important to evaluate the program to determine how much it cost and saved. Also, if the program was designed to produce long-term or recurring savings, annual assessments must be conducted.
- HR impacts: Measurements of the impact of a RIF on an organization include the number of positions that were reduced both through a voluntary

or mandatory program, the term of the program, if the reductions were through retirement or termination and how the elimination of the positions affected the delivery of services and the work environment.

- Employee relations effects: One indication of how employees responded to the RIF would be the number of employees who filed grievances or lawsuits.

### An Interesting Alternative: How One State Did It

Aside from a mandatory RIF, are there any other ways to reduce personnel expenses and control which employees leave? In short, yes, and the recent experience of one southern state government illustrates one alternative—a voluntary buyout.

Facing a shortfall of nearly \$500 million for fiscal year 2009 the state decided to offer employees a voluntary buyout to save approximately \$65 million in recurring personnel costs. It planned to access up to \$50 million in reserve funds to cover one-time costs associated with the program.

The state retained The Segal Company to review the program and provide guidance on its components. Mindful of the impact of the Older Workers Benefit Protection Act, state leaders asked agency heads to develop business plans indicating which employees in specific job titles could be eliminated. This step minimized the brain drain associated



with an early retirement “window” and allowed the state to eliminate jobs by job title within a department or function without having to address the seniority issues and potential bumping that might occur if the focus were on a job classification basis that cut across many agencies. The resulting buyout program offered employees a mix of incentives, including a base payment, an additional payment based on service, subsidized continuing health coverage and an education benefit.

Once the state publicly announced the buyout program, Segal developed a full project management plan, assisted the state with managing program implementation, and provided expert support to the various agencies as they built and carried out their responses to support the overall initiative. Segal consultants joined the state’s director of human resources and director of finance and administration in meetings with agency directors to discuss the classifications to be eliminated, according to each agency’s business needs and savings goals.

Segal consultants also coordinated a multi-agency implementation team to complete this initiative. Working closely with state agency personnel, the consultants developed detailed operations plans, internal and external communications, multiple training sessions and statewide informational help sessions for employees located outside the capital region.


Approximately 12,000 of the state’s 43,000 employees received offers to participate in the voluntary buyout program, and more than 2,300 applications were returned. In the end, more than 1,500 buyout applications were accepted. This generated a recurring annual savings of nearly \$50 million for the state and minimized the need for an involuntary layoff. Participating employees separated from the payroll within four months of the legislature approving the program, creating a projected one-time cost of \$38 million.

## Conclusion

In the current financial climate, with state and local governments looking for

ways to reduce expenses, implementing a voluntary RIF can help governments maintain services and improve their long-term financial viability. Identifying the goals of the program, creating proper incentives and determining what programs and services are critical to the government will provide the foundation for a successful RIF. Communicating the goals of the program to agency directors, HR staff, employees and the public will build goodwill and increase the likelihood of success.

*Elliot R. Susseles is a senior vice president in the Washington, D.C., office of The Segal Company. He directs Segal’s public sector compensation and bargaining practice. He can be reached by phone at (202) 833-6436 or by e-mail at [esusseles@segalco.com](mailto:esusseles@segalco.com).*

*Cathie G. Eitelberg is a senior vice president in the Washington, D.C., office of The Segal Company. She leads the company’s team of public sector consultants. She can be reached by phone at (202) 833-6437 or by e-mail at [ceitelberg@segalco.com](mailto:ceitelberg@segalco.com). —*

## Report Finds Gov’t ‘Ideal Employer’ for Young Job-Seekers


**WASHINGTON** – Despite the nation’s grim economy, the federal government is hiring, and according to *Great Expectations*, a report released today by the Partnership for Public Service and Universum USA, federal jobs are an excellent match for young job seekers interested in doing good—and doing well.

“With the slumping economy, a lot of job seekers are giving our federal government a second look. This poll suggests young applicants will like what they see,” said Max Stier, president and CEO of the Partnership for Public Service.

“The conditions are right for federal agencies to bring in top talent,” Stier continued. “The question is, ‘will they take advantage of this opportunity or let it pass?’”

The report, *Great Expectations: What Students Want in an Employer and How Federal Agencies Can Deliver It*, is based on Universum’s 2008 survey of 43,000 undergraduates that identifies qualities young people seek in employers. Key report findings from 32,000 American respondents include:

- **Among students surveyed, “Government/public service” is the most popular industry choice out of 46 options.** Seventeen percent of undergraduates selected the government/public service industry as one in which they would “ideally want to work when choosing their first employment after graduation.” The next most popular are health care (13 percent), education (12 percent), and marketing/advertising (11 percent).
- **Five of students’ top 15 “ideal” employers— from a list of 260— are federal agencies.** Jobs with the Department of State, the National Aeronautics and Space Administration, the Peace Corps, the Central Intelligence Agency and the Federal Bureau of Investigation are all highly coveted, among students surveyed.
- **Government offers the main qualities undergraduates seek.** A healthy work/life balance is undergraduates’ number one career goal, with 66 percent of students citing this as a priority. Serving the greater good and job stability are tied as the second most desirable traits.

*The Partnership for Public Service, which can be found online at [www.ourpublicservice.org](http://www.ourpublicservice.org), works to revitalize the federal government by inspiring a new generation to serve and by transforming the way government works. Universum USA, online at [www.universum-global.com](http://www.universum-global.com), is a global employer branding leader. —*