BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

In the Matter of the Application of Kansas Gas Service, a Division of ONE Gas, Inc. for Adjustment of its Natural Gas Rates in the State of Kansas.	))))	Docket No. 24-KGSG-610-RTS

PUBLIC REDACTED REBUTTAL TESTIMONY

OF

MEGAN Z. GOUGH

ON BEHALF OF KANSAS GAS SERVICE

A DIVISION OF ONE GAS, INC.

July 22, 2024

PUBLIC REDACTED REBUTTAL TESTIMONY
OF
MEGAN Z. GOUGH
ON BEHALF OF KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
DOCKET NO. 24-KGSG-610-RTS

I. Position and Qualifications

Q. Please state your name and business address.

A. My name is Megan Z. Gough, and my business address is 15 E. 5th Street Tulsa, OK 74103.

Q. By whom are you employed and in what capacity?

A. I am employed by ONE Gas, Inc. ("ONE Gas") as the Manager of Compensation. Kansas Gas Service ("KGS" or the "Company") is a division of ONE Gas.

Q. Are you the same Megan Gough who submitted direct testimony in this docket?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. My testimony supports KGS's requests for the compensation and benefits-related costs that Staff witness Ms. Katie L. Figgs and Citizens' Utility Ratepayer Board ("CURB") witness Ms. Andrea Crane challenge in their testimony. Specifically, I address why KGS's request to recover incentive compensation costs should be approved. The costs are reasonable for recovery because they are: (1) supported by recent market compensation studies; (2) necessary to attract, retain, and motivate talent; and, (3) well-designed incentive compensation plans that are standard within the utility industry. I also explain the necessity of incurring costs associated with severance pay and employee relocation and assert that KGS should be authorized to recover these costs due to the prevalence of these types of benefits in the marketplace. Company witness Ms. Keara Downum addresses the calculation errors made by Staff and CURB in their respective compensation and benefit-related cost adjustments.

II. Incentive Compensation

Q. What positions do Staff and CURB take regarding recovery of incentive compensation costs?

A. Staff recommends the Commission disallow 70% of executive short-term incentive ("STI") related to financial performance-based metrics and 100% of executive long-term incentive ("LTI") performance stock unit costs. The primary reason Staff recommends removing these costs is because their award is based on the Company meeting certain financial metrics. Staff also proposes equal sharing of executive LTI restricted stock unit costs between customers and shareholders

CURB proposes disallowance of 70% of STI for all employees because of weight placed on financial metrics and 100% of LTI for all employees solely because it is related to financial criteria. CURB also proposes disallowance of LTI restricted stock units because they vest with no performance criteria.

Q. What is your reaction to Staff and CURB's positions regarding incentive compensation?

A. Staff and CURB do not take issue with the overall level of compensation employees receive, or that KGS has incentive compensation included in an overall compensation package. Staff and CURB appear to be primarily concerned with *who* receives incentive compensation, and how much of incentive compensation should be allowed to be recovered by KGS.

Q. What is Staff's position on incentive compensation?

A. Staff does not appear to have an issue with how ONE Gas compensates employees who are not officers or executives. Staff's adjustments only impact incentive compensation costs awarded to ONE Gas' officers and executives, not in terms of the overall compensation amount, but *how* the compensation is determined and awarded. KGS believes new arguments support including recovery of a portion of incentive costs. KGS witness Ms. Lorna Eaton provides additional support for recovering a portion of financially based incentive compensation expense.

Q. What is CURB's position on incentive compensation?

A. CURB appears to argue all incentive compensation, including awards made to front-line non-bargaining unit employees, should be excluded from recoverability. This is in stark contrast to the Commission's precedential order issued in Docket No. 19-525. CURB does not appear to take issue with the amount of compensation provided to ONE Gas' employees, but rather how that compensation is provided.

Q. Why do Staff and CURB suggest that financial measures should disqualify the recovery of incentive compensation a portion of total compensation for some or all employees?

A. Staff and CURB state that financial measures only benefit shareholders not KGS's customers and should not be recoverable.

Q. Do you agree with Staff's and CURB's position regarding the use of financial metrics in incentive compensation plans?

A. No. Staff's and CURB's recommendations are based on arguments previously made to the Commission, that meeting financial goals or metrics benefits only shareholders. Ms. Eaton's testimony provided examples of how ONE Gas' financial strength allowed the company to serve customers through a global pandemic and winter weather emergency. This evidence supports the use of financial metrics and shows how ONE

Gas' financial performance can align Company and customer interests in a way that benefits all of the utility's stakeholders.

To achieve financial metrics, employees must take active steps to control operations and maintenance ("O&M") and capital costs as well as to prudently utilize resources. These cost control efforts help to maintain reasonable rates. Focusing too heavily on how financial metrics benefit the Company ignores the value *customers* receive from the Company's ability to motivate employees to control costs and achieve financial goals. Staff's and CURB's recommendations do not recognize the fact that customers benefit from the company controlling costs and achieving financial goals and do not address the new arguments KGS presented to revisit the Commission's precedent.

Q. Do customers benefit when ONE Gas meets its financial goals?

A. Yes. The Company has provided tangible evidence showing how financial metrics benefit customers. There is no basis for the claims of Staff and CURB.

Q. Does ONE Gas believe financially based incentive compensation benefits shareholders?

A. Yes. For this reason, KGS's position only requested to recover half of incentive compensation based on financial metrics for officers and executives. To be clear, KGS has not argued customers should pay for all incentive compensation. When it comes to financially based inventive compensation, KGS is requesting to split those costs for officers and executives 50/50 with customers. KGS has provided tangible evidence a company that performs financially well benefits customers, and no evidence has been presented to challenge this argument. If KGS is not living up to its core values and delivering safe and reliable natural gas to its customers, then the Company's financial performance will suffer. There is a link between how the Company financially performs and the reliable service customers receive.

Q. Why is it appropriate for the Company to recover incentive compensation?

A. No party claims that incentive compensation costs should be disallowed because total employee compensation is unreasonable or above market. Given the results of the Willis Towers Watson studies provided with my direct testimony, there is no credible argument that the Company's total compensation costs are unreasonable. As Willis Towers Watson noted, overall compensation levels, short-term at-risk compensation, and long-term at-risk compensation are designed to be reasonably competitive with market practices. The studies provided with my direct testimony clearly demonstrate that the Company's total compensation costs are reasonable.

Additionally, in an article by David W. Sosa, PH.D., and Virginia Perry-Failor, titled "<u>Incentives, staffing, and benchmarking in a tight economy</u>", the authors report that some U.S. regulatory commissions recognize that:

> …the proper concern of regulators is whether a utility can demonstrate that the overall level of employee compensation expenses is reasonable. These regulators have established criteria, including market labor rates, for evaluating reasonable compensation levels, but they recognize that the allocation of the package over its various components, <u>including incentive compensation is a matter best left to management</u>. (Rebuttal Exhibit MZG-1)

Q. Staff suggests that offering incentive pay that is tied to financial performance could be detrimental or harmful to customers over time and CURB suggests that financial metrics do not benefit customers at all. Do you agree?

A. No. To meet customer expectations for safe and reliable service, employees must be motivated to strive for those goals. As I said before, the Company's incentive plans are specifically designed to motivate employees to take the proactive steps necessary to provide safe, reliable and efficient natural gas service. All employees (including executives), either directly or indirectly, through their job responsibilities and performance impact the financial interest of the Company by developing, planning and implementing cost saving ideas. Examples of employee input and impact include implementing employee ideas to increase paperless billing enrollment, restructuring the customer mailing process to optimize the mail customers receive, and improving our customers' self-service capability on the KGS website. All of these projects reduce expenses, including labor costs. Customers directly benefit from employees who have a vested financial interest in the Company. ONE Gas' incentive plans are designed to encourage financial responsibility and ensure fiscal discipline through efficient use of resources. The more incentivized employees are to control costs, the greater the benefit to customers from a lower cost of service and lower overall rates.

a. <u>Short-term Incentive</u>

Q. Could you further explain how customers benefit from the inclusion of financial metrics in the STI plan?

A. As indicated in my direct testimony, achieving financial metrics requires controlling O&M and capital costs and prudently using resources. The objectives set forth in the incentive compensation plans motivate employees to achieve financial results, which in turn, benefit the customer by having safe, efficient and reliable natural gas service. ONE Gas wants employees focused on working safely and identifying ways to be more efficient and effective allowing the Company to manage costs and continually improve reliability and response time, which benefits the customer. Ms. Eaton further expands on the benefit to customers of including financial metrics in her rebuttal testimony.

Q. Are the metrics used in the STI plan commonly used by utilities?

A. Yes, they are. The Willis Towers Watson report provided in my direct testimony in Confidential Exhibit MZG-1 page 7, identifies that ***[redacted].***

Additionally, the average weighting on financial metrics in the Company's executive compensation benchmarking peer group is 64% proving that not only are the

Company's peers compensating through short-term at-risk programs but also that the Company's metrics are aligned with the weighting on financial and operational measures of similar companies.

Q. Will disallowing short-term incentive compensation costs place the Company at a competitive disadvantage when attracting and retaining talent?

A. Yes, it will. From a hiring and retention perspective, ONE Gas and KGS compete with the broader marketplace to attract, retain and motivate the employees who provide safe and reliable natural gas service to our customers. The Company is put in a disadvantaged position when it is not allowed to recover necessary and reasonable costs incurred to provide safe and reliable service to customers. As explained, incentive compensation costs are a necessary component in engaging employees to provide safe and reliable natural gas service. Rejecting these costs unreasonably places the Company in a disadvantaged position. The Company must offer compensation that is competitive not only with utility peers but also among non-regulated industries. Willis Towers Watson Confidential Exhibit MZG- attached to my direct testimony, and referenced in the question above, supports that every company in the large and small utility peer groups have an STI at risk compensation program for all non-bargaining unit employees. Again, this point is important because the Company does not only hire employees from or lose employees to other regulated companies. The vast majority of the employees sought or retained have skills that transfer to other industries (for example, accounting, customer service or human resources), which means employees can work elsewhere in the broader energy industry or a completely unrelated industry.

b. <u>Long-term Incentive</u>

Q. Does the total shareholder return metric that applies to LTI performance unit compensation harm customers over time?

A. No, it does not. Much like the discussion around earnings per share, total shareholder return is simply a measure of the financial health of the organization. A financially strong and well-managed company benefits customers.

Q. Will disallowing long-term incentive compensation costs place the Company at a competitive disadvantage when attracting and retaining talent?

A. Yes, it would and for many of the same reasons I already addressed related to a disallowance of the STI plan's costs. LTI is a typical component of a compensation package in the utility industry and in industries in which ONE Gas and KGS competes for executive or management talent. Thus, ONE Gas and KGS must offer similar plans to attract, retain, and motivate employees. Moreover, none of the total compensation costs presented in the Company's rate application have been identified as being unreasonable or excessive.

Q. Do customers benefit from the inclusion of financial metrics in the consideration of potential awards of performance shares within LTI compensation plans?

A. Yes. As previously discussed, improved financial performance benefits customers through lower rates. The fact that the Company has linked a portion of an employee's compensation to the financial performance of the Company should not automatically disqualify the recovery of this portion of the compensation for ratemaking purposes.

Q. Are there other misconceptions or statements made by CURB regarding incentive compensation you would like to address.

A. Yes, there are several misconceptions I would like to address. First, CURB incorrectly states that:

> . . . incentive payment awards that are based largely on earnings criteria may violate the principle that a utility should provide safe and reliable utility service at the lowest possible cost. This is because these plans require ratepayers to pay higher compensation costs as a consequence of high corporate earnings, a spiral that does not directly

benefit ratepayers, but does benefit shareholders and the management[1] .

This statement is unsupported and does not provide context for the proposed argument. Next, CURB also incorrectly assumes that awards based solely or primarily on improving shareholder earnings should not be included in rates because, in her opinion, they are not a necessary component of the cost to serve customers and may actually provide incentive to employees to become less customer focused.

Q. Is CURB's claim that incentive awards based on financial metrics provide incentives to employees to become less customer focused, a credible claim?

A. No, CURB's claim is unsubstantiated and based on faulty logic. The Company strongly believes that its business is sustainable only if customer interests come first. The Company's focus on and commitment to providing safe and reliable service is tailored to meet customer expectations regarding natural gas service. Motivating employees to perform efficiently and effectively to provide this safe and reliable service positively impacts customers as well. Clearly, Company actions that lead to customer benefits naturally lead to shareholder benefits, not the other way around. Most importantly, ONE Gas cares about safety not because Wall Street cares, but because the Company chooses to make protecting and providing customers, employees and the communities in which it operates with a safe environment its number one core value and company mission.

Q. Is incentive compensation a critical component of the Company's overall compensation plan?

A. Yes. It would be inappropriate to focus solely on incentive compensation without recognizing that no party has challenged the overall design of the plans or the total

[1] Direct Testimony of Andrea Crane, page 31, lines 12-15.

level of compensation provided to employees. As evidenced by the Willis Towers studies, the Company's base pay is reasonably competitive with the market. Therefore, it is not appropriate to attack certain components of compensation and not consider total compensation (inclusive of STI and LTI), when the Company has demonstrated the total compensation paid to its employees is reasonable and falls below or at the median of the market. More specifically, as explained, the use of incentive compensation allows the Company to motivate its employees to be safe and to seek out and implement more efficient ways to deliver better service every day. Incentive compensation allows us to attract, retain and motivate employees which is a direct benefit to our customers. From a competitive standpoint, ONE Gas wants to hire employees who are motivated by safety, responsiveness and providing reliable service to customers. If all peer companies (as well as the majority of our other non-peer competitors), are offering an incentive, so must ONE Gas. The Company's request is reasonable and has shown to directly provide benefits to customers, thus should be approved.

III. <u>Severance Pay</u>

Q. What is Ms. Staff's position on severance expense on IS-14?

A. Staff' takes the position that severance pay is a one-time, non-recurring expense that should not be included in the cost of service since it is not representative of an on-going expense.

Q. Do you agree with Staff's adjustment IS-14 to remove severance pay as a one-time, non-recurring expense?

A. No, this is an incorrect assumption. Severance payments are a common and a recurring expense that the Company incurs. The table below shows the historical severance costs for the past five years.

	TYE Sept 2019	TYE Sept 2020	TYE Sept 2021	TYE Sept 2022	TYE Sept 2023
Severance	$78,848	$98,618	$128,255	$189,214	$90,867

Q. Please explain severance pay and why the Company may offer it.

A. In my experience, severance pay is used to help separate employees from the Company, whether voluntary or involuntary. Providing severance helps a company to mitigate risks and is a common practice among corporations, as shown in Rebuttal Exhibit MZG-2. Specifically, market studies show severance pay is offered by 64% of corporations. Severance can facilitate the continuation of a good relationship between the employee and the Company during and after separation which can mitigate risk. Ms. Downum addresses the amount requested in this filing in her rebuttal testimony.

Q. Should the severance pay costs requested for recovery be approved?

A. Yes. Severance pay is related to the provision of utility service because KGS incurs the cost in the normal course of business, and it should be recovered as a reasonable and necessary expense.

IV. <u>Employee Relocation</u>

Q. Please discuss Staff's adjustment IS-13 to relocation expense.

A. Staff recommends an adjustment to allow KGS only recover 50% of relocation expenses. Staff questions the necessity and reasonableness of the Company providing relocation packages in the in the modern economy, where virtual work is more and more common. Staff also states that "KGS should be able to attract and hire local talent to run its utility.[2]

Q. Do you agree with Staff's adjustment IS-13 to remove 50% of relocation expense?

[2] Confidential Direct Testimony of KatieFiggs, page 38; lines 13- 14

A. No, I do not. No evidence has been presented showing these were imprudent, unnecessary, unjust, or unreasonable costs. Relocation is a necessary business expense that assists full-time employees in relocating their residence and families due to a change in their required work location by paying for the employees' reasonable and necessary relocation expenses such as for travel, temporary housing and the packing, movement and storage of household goods. The relocation costs incurred by the Company and requested in this filing are just and reasonable and the full amount should be approved.

Q. Are there other misconceptions or statements made by Staff regarding employe relocations you would like to address.

A. Yes. Staff questions the necessity of the Company providing relocation packages in the modern economy, where virtual work is more and more common and hiring local talent. The Company does not dispute that virtual work is more and more common; however, many of the positions of the Company require the employee to be onsite in order to safely provide natural gas service to our customers. Many field personnel, including engineers and their management were not able to work remotely even during the pandemic in 2020 and 2021. We believe a balance of remote work and in-person work is most effective for productivity, collaboration, generation of ideas, and employee engagement. Accordingly, it is necessary for employees to live near their work location so they can interact with their coworkers in the office. Regarding local hiring, it is most typical for us to attract and hire local talent, there are unique cases that require relocation to ensure we have the appropriate skills necessary to execute initiatives unique to the Kansas area. Relocation benefits are a tool that enables the Company to attract talent, whether from outside the company or internally having an employee relocate to a location when a qualified candidate is not available locally.

V. <u>Conclusion</u>

Q. Does this conclude your testimony.

A. Yes, it does.

VERIFICATION

STATE OF KANSAS	)	
	)	ss.
COUNTY OF JOHNSON	)	

Megan Z. Gough, being duly sworn upon her oath, deposes and states that she is the Manager of Compensation for ONE Gas, Inc.; that she has read and is familiar with the foregoing Rebuttal Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information, and belief.

Megan Gough

Megan Z. Gough

Subscribed and sworn to before me this 18 day of July 2024.

M. FREEMAN NOTARY # 21014828 EXP. 11/12/25 PUBLIC STATE OF OKLAHOMA

M. Freeman

NOTARY PUBLIC

My appointment Expires:

11/12/25

Talent

Labor Costs and the Rate Case

Incentives, staffing, and benchmarking in a tight economy.

BY DAVID W. SOSA, PH.D., AND VIRGINIA PERRY-FAILOR

In several recent utility rate cases, regulators, under pressure to contain rate increases, have disallowed a portion of a utility's claimed employee compensation expenses, citing local economic conditions and the need for austerity. Ratepayers should of course expect that the costs that lie behind the rate remain "just and reasonable." However, if a utility is unable to recover reasonably incurred costs through its rates, its overall costs might rise, jeopardizing its financial health, Future ratepayers might end up paying more for service. Quality of service ultimately might suffer. Moreover, management's ability to keep the ship running might be compromised if companies are denied flexibility to adopt viable alternative compensation packages, or if certain components of employee compensation are inappropriately disallowed.

In the typical rate case, the utility offers evidence that its employee compensation costs are reasonable. If the evidence proves insufficient, regulators may choose to disallow certain requested costs. The regulator must review the evidence and consider how a cost allowance will affect rates. However, if regulators focus on specific components of employee compensation—without adequately considering the reasonableness of total costs—then the rate order might do financial harm to the utility, and, in the long term, to ratepayers.

Utilities can choose different ways to present labor costs to regulators to best support their claims of reasonableness—even as regulators, too, can and should consider a range of factors in reviewing compensation and utility revenue requirements. Here, we look at both sides of the rate-making process, and discuss some key trends in utility compensation practices.

> Management's ability to keep the ship running might be compromised if certain components of employee compensation are inappropriately disallowed.

Trends in Cost Management

A utility's employee compensation typically comprises cash compensation—salary and incentives—and non-cash compensation, including pension and retirement plans, medical and dental care, and other benefits. The Bureau of Labor Statistics (BLS) reported that through September 2011 approximately 61 percent of employee compensation at utilities came in the form of cash wages and salaries, while the remaining 39 percent represented benefit costs.[1] Across all industries, the costs of non-cash compensation have climbed swiftly, prompting utilities and other employers to deploy a range of strategies for managing these expenses. Examples include retirement plan restructuring; increased use of incentive-based compensation; and reductions in headcount.

First, utilities have switched employees from defined-benefit pension plans to defined-contribution pension plans, thereby shifting pension funding responsibility to employees. From 1980 through 2008, the proportion of private wage and salary workers participating in defined benefit pension plans fell from 38 percent to 20 percent.[2] Over the same period, the percentage of workers covered by a defined contribution pension plan—that is, an investment account established and often subsidized by employers but owned and controlled by employees—rose from 8 percent to 31 percent.

Second, utilities have extended incentive compensation to more employees and increased the amount of total compensation at risk by implementing plans that link a portion of an employee's compensation to his or her achievement of individual and companywide goals. A recent Towers Watson survey of utility compensation, which was cited in a decision by the Indiana Public Service Commission, reported that, "93 percent of the individuals in exempt-level positions were eligible for annual incentives."[3,4]

Third, through a variety of mechanisms, including hiring freezes and severance programs, many utilities have reduced employee headcount in recent years. The BLS reports that total employment in utilities fell from around 600,000 in 2001 to 555,000 as of November 2011.[5] However, as with all workforce initiatives, utilities must be

David W. Sosa, Ph.D. is a vice president and **Virginia Perry-Failor** is a manager, both in the San Francisco office of Analysis Group, Inc.

careful that any changes made don't compromise safety, reliability, and quality of service.

At the same time that utilities seek to rework their employee compensation plans to better control costs, they're also facing a wave of retirements and, as a result, a shortage of qualified workers in many areas. Between 2009 and 2015, approximately 46 percent of skilled technicians and 51 percent of engineers in the utility sector will become eligible for retirement.[6] Some employees have deferred retirement in light of economic conditions; still, the replacement of these skilled workers is a growing problem. Moreover, industry-wide goals to "replace aging infrastructure and achieve modernization objectives"[7] mean that utilities will need to add staff over and above the replacements for those retiring—including, perhaps, different resources at a time when younger qualified workers and trainable employees are in short supply.

In fact, utilities across the country are participating in new initiatives for identifying and training qualified candidates; the Center for Energy Workforce Development's members include more than 80 energy-related enterprises, including utilities, but it takes time to adequately prepare employees for certain industry roles. For example, it can take 10 to 12 years to fully train a lead lineman.[8] Meanwhile, many U.S. universities have scaled back their electrical engineering programs, and many foreign graduate students are finding attractive opportunities in their home countries, causing the pipeline of engineering talent to run low.[9] These labor market conditions limit the talent pool available to utilities and put upward pressure on the levels of compensation needed to attract and retain qualified employees.

Tools for Regulator Review

In determining rate changes, regulators must take into account the full range of economic challenges and the remedies that utilities are employing to combat them. More specifically, regulators should focus on total compensation, plus the trend of expenses in the recent past.

In particular, however, regulators must stay mindful of factors that tend to make a simple apples-to-apples comparison perhaps less indicative than it might otherwise appear, such as: 1) offsetting tradeoffs between cash- and non-cash compensation schemes; 2) the financial value of goals achieved or missed under incentive compensation plans; 3) employee productivity as affected by conservation or efficiency programs; and 4) how industry benchmarking can be affected by the diversity of economic conditions among local utility service territories.

> **Utilities have extended incentive plans to more employees, linking compensation to individual and companywide goals.**

When regulators evaluate individual components of employee compensation, they must be careful to account for the fact that companies are changing the mix of cash and non-cash compensation. Increases in one component of compensation might offset decreases in another.

For example, a utility might increase employee cash salaries to offset the non-cash effect of shifting employees from a defined-benefit pension plan to a defined-contribution pension plan. The appropriate question for regulators to address is: How will changing the levels of total employee compensation affect rates? Regulators' examination of one particular component without adequate emphasis on total costs might be misleading.

Regulators also must take a similarly holistic approach to evaluating incentive compensation. The objective of these programs should be to encourage individual and collective employee behavior that benefits ratepayers as well as the company. Incentive compensation programs will obviously vary across utilities, based on management objectives and company-specific circumstances. To be most effective, however, and to support the recovery of program costs, these programs should have clearly defined goals and objective measurement criteria. Program goals might include improved reliability, customer service, expense management, and financial performance. For their part, regulators need to be transparent about the extent to which they consider financial criteria—which benefit ratepayers as well as shareholders—acceptable program metrics for compensation expense to be recoverable.

Some utilities have seen increases in employee productivity over the past several years, and that's a significant benefit for ratepayers. As employees work longer and harder, they reduce output-adjusted compensation costs, all else being equal. However, evaluations of productivity can be complicated when utilities are attempting to reduce output—for instance, developing energy efficiency and conservation-related resources, which is increasingly becoming the industry norm. Productivity is traditionally measured according to level of output—electricity sales, for instance—per unit of labor input; more output per unit of labor input would denote an increase in productivity. However, gains in energy efficiency might cause a decline in electricity sales per unit of labor input—and productivity, by this measure, will appear to be declining as well, even though employees are performing effectively. For this reason, standard labor productivity metrics might not capture the full scope of employee effort and achievement, thereby understating labor productivity.

Benchmarking can help regulators understand employee compensation cost levels and trends, and determine whether requested cost recovery is reasonable. Benchmarking also can assist regulators in evaluating more detailed questions, such as: How does the target utility compare to peers in terms of labor productivity, or in terms of cash compensation?

In particular, peer group benchmarking compares the business performance and practices of a company to those of comparable companies. This technique, which companies, market analysts, and regulators often rely on to evaluate operational and financial performance, can be used to assess indicators of overall company performance as well as the performance of specific activities relative to peers.

However, another benchmark is being introduced in rate cases with greater frequency: the comparison between measures of utility compensation and measures of local economic conditions, including wages and employment. Although regulators might find it useful to look at the local wages of workers who have skills similar to utility employees, general wage and employment rates aren't appropriate benchmarks for evaluating employee compensation costs, for several reasons. As described above, the utility labor force is highly specialized and characterized by a scarcity of qualified personnel. Utilities compete with one another, regionally and even nationally, for employees to fill many positions. In the ratemaking context, evidence regarding total compensation costs—including over time and relative to other comparable companies—is critical. Regulators might also be interested in evidence regarding the utility's salary structure and individual components of compensation. However, it's critical to evaluate these measures relative to the appropriate benchmarks, which must be derived from comparable companies and not merely on the basis of geographic proximity.

Identifying an appropriate benchmark group—or panel of comparable companies—will allow regulators to focus on the regional or national labor market in which a particular utility competes. It also will provide a reliable context for evaluating both the level and format of utility compensation expenses. Companies should be aware that regulators might be tempted to interpret a benchmark as a bright line, so it might be important to discuss the statistical properties of the benchmark sample in any interpretation of results.

> **Regulators' examination of one particular component without adequate emphasis on total costs might be misleading.**

Two principal steps are involved in peer-group benchmarking.

■ *Normalization:* The evaluator should determine whether the cost or performance measures at issue can be directly compared across companies, or whether a common means of measurement must be established for presentation to regulators. In the case of employee compensation, these costs will vary based on a number of factors including customers served, geographic region, and degree of vertical integration. Therefore, aggregate measures of employee compensation expense must be normalized—that is, transformed into a common unit of measurement—before a meaningful comparison can be made between the subject company's performance and the performance of companies in the benchmark group. For employee compensation costs, measures of output, including sales and customers, are the commonly used normalization measures. Another normalization factor is number of employees.

■ *Panel construction:* Once a common basis of comparison has been established, the evaluator needs to construct the panel of companies—a list of "comparables," in real-estate parlance—against which financial or service-level performance can be compared. The selection criteria will depend on the objective of the exercise. For example, regulators might want to conduct a broad evaluation of a utility's performance relative to the entire electric industry. That would require a benchmark group that includes as large a group of utilities as possible, screening for company characteristics that are relevant to the particular compensation measure at issue. As a general matter, the selection criteria for benchmark companies would be based, in part, on company characteristics that affect expense levels, such as degree of vertical integration and lines of business.

Since any given geographic area will likely have only one regulated electric utility and one regulated gas utility, companies must recruit for skilled workers regionally and nationally. Factoring in the previously mentioned labor challenges utilities face, regulators will need to benchmark salary ranges by job description; this lens should reflect the regional and national labor markets in which utilities compete for talent. The commonly used sources for such data include industry-specific and broad-based compensation surveys. To the extent that utilities have outsourced positions that require lower skill levels and draw from local markets—for example, non-critical security services—they wouldn't factor into employee compensation costs.

Some U.S. regulatory commissions have explicitly acknowledged that utilities' employee compensation strategies » are developed to attract, retain, and motivate employees, and that the proper concern of regulators is whether a utility can demonstrate that the overall level of employee compensation expenses is reasonable. These regulators have established criteria, including market labor rates, for evaluating reasonable compensation levels, but they recognize that the allocation of the package over its various components, including incentive compensation, is a matter best left to management. The Massachusetts Department of Public Utilities (MDPU) offers an example of this approach.

The MDPU sets forth evaluation criteria that explicitly recognize "that the different components of compensation are to some extent substitutes for each other and that different combinations of these components may be used to attract and retain employees." Utilities are required to demonstrate that their costs conform to those criteria and that their total unit-labor cost "is minimized in a manner supported by their overall business strategies." Utilities are also required to compare their costs against a market-based standard.[10]

Regulators in Indiana and Nevada also have considered overall compensation against established evaluation criteria. In Indiana, regulators evaluated Vectren South's compensation package, including incentive compensation up to a board-approved level, and found that it was at the low end of the competitive range in the market, relative to comparable companies. As a result, Indiana regulators approved the utility's compensation request.[11] Similarly, in Nevada, the Nevada Public Utilities Commission (NPUC) has evaluated a combined compensation package of payroll and benefit costs. The commission found that Sierra Pacific had actually reduced its payroll and benefit costs by about $16 million, "reflecting the reduction in growth that has occurred during the recession,"[12] and approved Sierra Pacific's compensation request.

What Utilities Should Do

Given the complex compensation issues involved, and the competing claims of stakeholders in rate proceedings, utilities need to anticipate the issues that intervenors and regulators are likely to focus on and develop a record that establishes the reasonableness of employee compensation expenses. Utilities' compensation presentations should offer regulators clear and concise information regarding levels of total employee compensation over time and compared with other utilities. As much as possible, these presentations should conform to prior commission decisions and should reflect concerns about current economic conditions. To the extent changing circumstances justify departures from prior regulatory precedent, these departures should be identified, and the justification for the change should be clearly articulated. Among other things, the utility should be able to identify changes in employee compensation and explain to regulators why these changes have occurred and why the observed expenses are reasonable.

Also, to the extent that a utility has been able to reduce employee compensation costs through discrete initiatives, such as severance programs or initiatives that improve labor productivity, regulators might be tempted to appropriate some or all of the expense savings prior to the rate effective period, on behalf of ratepayers. However, this treatment is short-sighted because regulatory lag—the time between when a utility initiative begins generating expense savings and when that savings is passed on to consumers via rates—creates incentives for utilities to implement cost-savings initiatives with uncertain outcomes. If an initiative is successful, the utility will have the opportunity to capture some of the expense savings before they're passed on to ratepayers, compensating the company for some of the assumed risk.

Utilities should remind regulators that regulatory lag benefits ratepayers and encourage commissions to take a forward view rather than attempting to capture expense savings retroactively. Additionally, employee compensation levels might reflect rising productivity—for example, staff reductions might have contributed to increased productivity, which benefits ratepayers. Individual compensation might have risen to reflect improved performance, even though aggregate compensation has fallen. Utilities can assist their commissions to place individual compensation levels in context by offering statistics that describe productivity through time.

Endnotes:

1. http://www.bls.gov/iag/tgs/iag22.htm
2. Butrica, Barbara, Howard Iams, Karen Smith and Eric Tober, "The Disappearing Defined Benefit Pension and Its Potential Impact on the Retirement Incomes of Baby Boomers," *Social Security Bulletin*, Vol. 69, No. 3, 2009.
3. State of Indiana, Indiana Regulatory Commission, Final Order Cause No. 43839, p.48.
4. http://data.bls.gov/timeseries/CMU2034400000000D?data_tool=XGtable
5. http://data.bls.gov/timeseries/CES4422000001?data_tool=XGtable
6. *The Center for Energy Workforce Development 2009 Survey*, June 2009.
7. Wanda Reder, president, IEEE Power & Energy Society and vice president of power systems services at S&C Electric, Feb. 18, 2009.
8. DOE's *Workforce Labor Trends in the Electric Utility Industry Report to the United States Congress*, pursuant to Section 1101 of the *Energy Policy Act* of 2005.
9. Ibid.
10. Order of The Commonwealth of Massachusetts, Division of Public Utilities in Petition of Massachusetts Electric Company and Nantucket Electric Company, pursuant to G. L. c. 164, § 94, and 220 C.M.R. § 5.00 et seq., for a General Increase in Electric Rates and Approval of a Revenue Decoupling Mechanism, DPU 09-39, Nov. 30, 2009.
11. State of Indiana, Public Utility Commission, Final Order, Cause No. 43839, Approved April 27, 2011, p. 50. (published at 289 PUR4th 9.)
12. Public Utilities Commission of Nevada, Order, Docket 10-06001, Dec. 23, 2010.

randstad risesmart

2021 guide to severance & workforce transition.

human forward.

Randstad RiseSmart is the fastest-growing outplacement and career mobility provider, and an operating company of Randstad N.V., a €20.7 billion global provider of flexible work and human resources services that helps nearly two million candidates find meaningful work every year.

Our outplacement, career development, redeployment and contemporary tech and touch solutions strengthen employer brands, improve retention and re-engage talent. Employers hire us because we deliver superior outcomes through expert coaching, professional branding, contemporary resources and on-demand analytics. We have a Net Promoter Score of 86, the highest in the industry, and a customer retention rate of 98%. Today, we are a trusted human partner of successful companies across more than 40 industries and deliver services in over 100 countries and 40 languages.

Our passion and dedication to innovation, responsiveness and results have earned us extensive recognition and awards from organizations such as Bersin by Deloitte, Gartner Inc., the Brandon Hall Group and Fortune magazine.

For more information, visit www.randstadrisesmart.com.

2021 guide to severance & workforce transition.

table of contents

'Now, more than ever, organizations see the value of delivering an employee-first experience. Severance benefits are reaching more employees. Outplacement and redeployment programs have grown, in part, because of the pandemic. While employees have endured unparalleled challenges during this time, the adoption of policies that take care of people at every stage of the employee journey, including upon separation, is leading to stronger employer brands. Companies that continue to strengthen these foundations will be the ones who retain and attract the best talent.'

dan davenport
chief executive officer
randstad risesmart

welcome to the 2021 guide to severance

As human resources professionals, we spend much of our time focused on how to improve employees' well-being and connectedness to their colleagues and to the larger organization. We look for ways to help people expand their careers, experiences and skills and to contribute in ways that grow them individually while also growing the business. No one relishes delivering the news of an involuntary separation to an employee. Dealing with workforce restructuring and separation is among the most difficult activities we have to stare down and manage with courage, compassion and resilience. How we handle these inevitable situations speaks volumes about how we view employees, not just as colleagues but as fellow human beings in this journey we call life.

Involuntary separation (or redundancy) is a reality in business and requires special attention. How we manage the process and how employees experience it is central to workforce transformation. To learn more about severance trends and the current state of practice, we surveyed almost 2,000 HR leaders in:

- Australia
- Belgium
- Canada
- Germany
- India
- the Netherlands
- United Kingdom
- United States

Respondents range from HR managers to chief human resources officers, and 58% of them represent Fortune-ranked organizations. A further 45% serve companies with more than 1,000 employees. Our global survey also spanned industries from automotive and transportation to IT, healthcare and beyond. The survey was conducted at the end of 2020. It provides a global snapshot of the shifting trends and attitudes toward severance, separation, outplacement, retention, redeployment and more.

separation anxiety solved

Employee separation can be caused by a revenue downturn, a workforce restructuring or a merger or acquisition. While the process is never easy, it can be less stressful with the right guidance.

The data in this report contains the latest severance trends and insights. It is our fourth biennial severance report and is designed to help organizations follow best practices based on industry benchmarks. As a career mobility specialist, we partner with organizations globally each year to support them through severance activity.

While these insights won't make separation stress-free, we hope they will help you mitigate the ambiguity that often accompanies separation, as well as the potential damage a poor separation experience can have on your employer brand. Our goal is to help you promote a more positive and productive experience among managers and employees involved in the severance and redundancy process.

global insights explained

It's unlikely to surprise you that countries handle separation – sometimes referred to as redundancy – differently and with varying priorities. What may surprise you, however, is the extent to which certain geographies differ from others. Even among our European respondents, for example, significant differences appear on a country-by-country basis. With that in mind, we only refer to regions like 'North America' or 'APAC' when no significant country-level differences occur within them. It should also be noted that in most Western European countries, organizations must follow a combination of European Union and country labor laws that govern activities such as eligibility and calculation of severance pay.

share and connect

The goal of this comprehensive report is to help you make your policies competitive, fair, inclusive and representative of your commitment to your employees. To that end, we encourage you to share this report with your colleagues once you've had a chance to digest the data. After all, separation impacts all your staff – not just the individuals no longer with the company – so building consensus on separation within the HR function is crucial.

Lastly, we welcome your feedback. As HR professionals, we're uniquely positioned to improve our employees' experiences at work, and we value your thoughts on the content of this report or on any other matters related to the employee experience. We're committed to helping you improve your company's business outcomes, whether you're moving employees into, within or out of your organization, and no matter how many people are involved.

executive summary

Following a year characterized by a turbulent economy and staggering disruption to businesses in almost every industry, it would be tempting for organizations to limit or even eliminate their severance offerings. Remarkably, our global survey found that, in most cases, the opposite was true. We found the majority of companies either made no changes or expanded many of their severance policies in the face of COVID-19 and despite widespread economic uncertainty.

Of course, companies' steadfastness amid a global pandemic is just one of the many trends our survey surfaced. In fact, marked shifts appear when comparing our 2021 survey to the one we conducted in 2019.

trend 1: more organizations care about the employee experience

In the past two years, companies have expanded severance plans to cover more employees. In addition, a higher percentage are offering redeployment and providing outplacement as part of severance packages. Nearly two-thirds of respondents told us their organizations began offering outplacement in the past two years. Many employers are also updating their severance policies to improve the employee experience – a persistent theme throughout our 2021 survey – and one we find very encouraging. More than a quarter (27%) of respondents said they had updated their severance policies in the past two years. Almost a third (32%) expanded their education benefits, 27% expanded both their financial planning options and life insurance offerings and one-quarter of companies expanded their outplacement offerings. Mid-size companies (250-5,000 employees) cited the most changes, while the smallest and largest organizations were most likely to stay the course with their existing severance policies.

According to the HR professionals surveyed, these shifts reflect a desire to improve the employee experience, though the ability to compete for talent is a close second.

trend 2: more employees are receiving severance – but it became a luxury for some companies

When compared to our 2019 report, not only are companies much more likely to offer severance to employees with limited service time, they're much more likely to offer severance to all employees, rather than a select few. In 2019, just 44% said severance was offered to all separated employees. In 2021, however, that number increased to 64%, and among the biggest beneficiaries were administrative and professional staff. Whether this is the result of greater sophistication when it comes to protecting employer brand, a wider commitment to better employee experiences or just a growing desire to do the right thing, it's still a promising development.

Unsurprisingly, 28% also said they made changes to their severance policies to decrease costs in the wake of the pandemic. That's an unfortunate reflection of COVID-19's sweeping impact on the global economy, and a further sign that offering severance benefits is a luxury for many organizations, albeit one that we believe has major impact on talent attraction, retention and employer branding. As the economy rebounds, we anticipate that many companies will increase their severance offerings to pre-pandemic levels.

It is important to note that among organizations that made changes to their severance plans in the past two years, coverage in seven out of 10 categories either held steady or expanded more than it contracted.

trend 3: COVID-19 prompted employers to offer outplacement

Like almost every facet of work and life, severance and separation were also impacted by the global pandemic. Sixty percent of respondents who began offering outplacement in the past two years told us COVID-19 affected their decision to do so, which – again – shows a remarkable degree of compassion and empathy for these respondents' workforces.

trend 4: redeployment is front and center – but still under-resourced

Our 2021 survey found that employers are increasingly using redeployment – that is, HR-led efforts to encourage valuable employees to find new posts within the organization, thereby retaining their expertise and institutional knowledge. Redeployment helps workers learn new skills and avoid involuntary separation. In fact, 77% of respondents said they have redeployment programs in place to help workers find new roles internally. Additionally, 56% said they've used redeployment to rapidly address changing business needs, and 49% said they've temporarily shared talent with outside or partner organizations to address quickly shifting business demands and to avoid layoffs during the pandemic.

These programs clearly work. Three-quarters of HR professionals rated their redeployment programs as effective or very effective, which reinforces redeployment's clear business value. It's also a sign that employers demonstrated both flexibility and inventiveness under challenging economic circumstances. This may also reflect a realization that redeployment not only works, but is a smart, long-term strategy. Employers are refocusing attention on reskilling and upskilling current employees and redeploying them, rather than on buying the needed skill sets primarily through talent acquisition. Given the size of the skills gap in many industries today and the talent shortage, this is proving a sound and cost-effective strategy that yields a sustainable and continually employable workforce.

While redeployment efforts have blossomed, there's still room for improvement. When asked what would make their redeployment efforts more effective, 50% of respondents cited the ability to effectively match employees to open roles. Forty percent said incorporating career coaching would improve their efforts, while 36% and 35% cited resume writing and partnering with external consultants, respectively.

trend 5: employer brand is reaping the benefits of an employee-first focus

Generosity lifts up everyone. As noted in the first trend, 63% of respondents began offering outplacement in the past two years and the number of companies with formal redeployment programs has risen 28% since 2019. When combined with the greater availability of severance to all employees, these actions point to a desire to care for employees and promote sustainable workforces. In addition, the number of negative employee reviews posted after a workforce reduction on sites such as Glassdoor and Indeed has dropped 18 percentage points to 46% since 2019. While there has been a seven percent uptick in negative reviews on Facebook, LinkedIn and Twitter, perhaps due in part to a small increase in the percentage of companies monitoring social media, the overall downward trend is a positive sign.

Is there a direct link between the expansion in severance plans and the decline in negative company reviews online after an involunatary separation? The reasons are likely multi-varied, but as companies expand programs to care for employees at every stage of the journey, it stands to reason that such actions promote a positive employer brand. When employees go through an involuntary separation, they'll likely view the event less negatively, which, in turn, means they'll be less likely to post negative reviews online and speak poorly about their prior employer to peers, friends and family members. A positive employer brand will enable companies to retain and attract talent as well as reduce talent acquisition costs.

trend 6: companies are leveraging the power of partnership

With many HR teams being asked to do more with less and with the increased focus on properly caring for employees at every stage of the employment journey, the HR function is increasingly eager to both shift responsibilities and enhance outplacement offerings by relying upon outside experts.

It's little wonder, then, that just 38% said outplacement was handled exclusively by internal teams. The majority (59%) said outplacement was managed by external partners or a hybrid of both service providers and internal stakeholders. This is particularly noteworthy because it reflects a 180-degree turn from our findings two years ago, when just 34% leveraged outside partners.

severance policies & plans

eligibility

As more companies adopt hybrid workforces composed of full-time, contract and gig workers, developing a unified company culture – and avoiding one that's stratified by employee type – is more important than ever. In a workforce where some employees are full-time workers with salaries and benefits while others may be hourly or even project-based, this may seem daunting.

That may be why more companies today offer at least some form of severance to all workers, rather than just a select few. Sixty-four percent of respondents say all employees are eligible at their companies, whereas just 44% said the same in 2019.

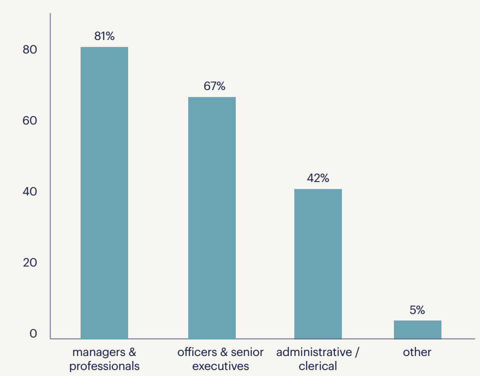
Managers and professionals (81%), along with officers and senior executives (67%), are the most likely to be eligible for severance packages.

Meanwhile, most employers (53%) still require employees to meet an established minimum amount of service time to be eligible for severance benefits. Required service time is evenly split across a variety of tenure lengths: one to two years (25%), two to five years (28%) and five-plus years (25%) of experience. About 10% made severance benefits available to employees with less than one year of service while nine percent had no minimum length of service required for eligibility. This is another seismic shift from 2019, when 38% said five years was the minimum service time to qualify.

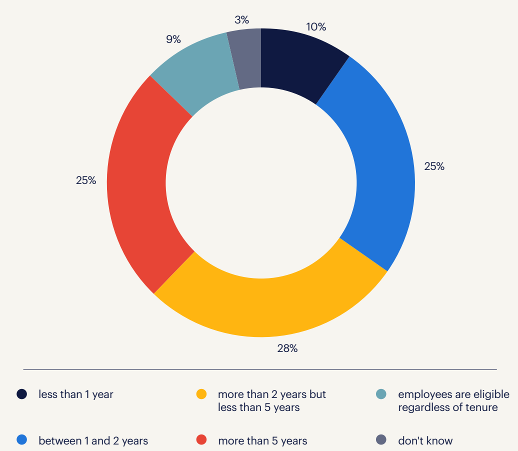
Further stratifications have emerged among companies of different sizes. The largest companies (10,001+ employees) were most likely to be the most generous across the board: Almost a fifth (18%) offer severance regardless of tenure. Those with 5,001 to 10,000 employees appear to be very generous as well: 25% offer severance to employees with less than a year of tenure. Meanwhile, organizations with 501 to 1,000 employees are the most restrictive, with a third (33%) not providing severance for anyone with fewer than five years of service.

64% of companies today provide severance to all employees, a 20% jump from 2019.

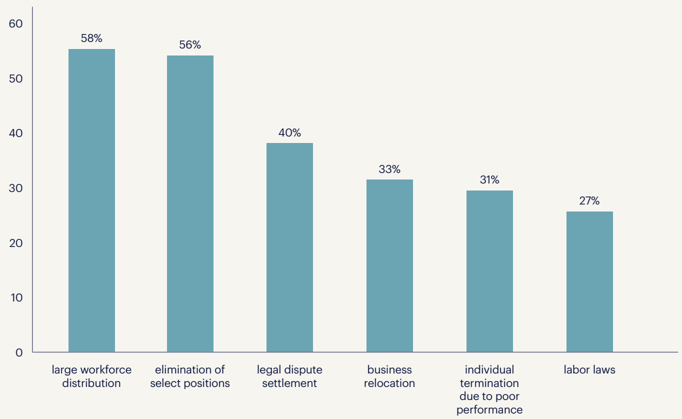
which employees are eligible for severance? (select all that apply)



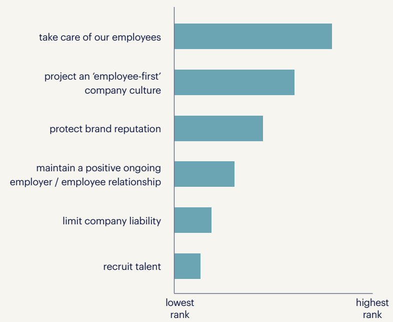
how many years of service must an employee have to qualify for severance?



when does your organization offer serverance packages to employees?



please arrange the list below in order of importance to reflect the reasons your company offers severance packages to displaced employees.



In terms of when severance is offered, 58% say it comes following large workforce reductions, like sizable layoffs or shuttering of facilities. A further 56% say severance is offered when eliminating select positions. Just 31% say severance is offered upon termination for cause. These findings are dramatically different than our 2019 survey, when 30% – the largest cohort that year – said the elimination of certain roles was the primary trigger for severance.

When asked why severance is offered, the most common response was to 'take care of our employees,' followed closely by 'project an employee-first company culture.' The inverse was true in 2019, though only slightly.

Taken together, the findings related to when and why severance is offered demonstrate not only a greater willingness to offer severance across the board, but a greater understanding of the value of severance following significant changes to a company's workforce.

This is yet another sign that companies increasingly appreciate former employees' value as brand ambassadors, and offering severance following major workforce changes has clearly become a key lever for keeping those ambassadors loyal, even following involuntary separation.

eligibility around the globe

It should be noted that in most Western European countries, companies follow a mix of country labor laws and local regulations that govern the eligibility and calculation of severance pay.

Eligibility varies substantially from region to region and country to country. For example, managers and professionals are more likely (81%) than executives (67%) to receive severance across companies of all sizes and in all geographies — with the exception of the UK, where both are equal at 78%. This may reflect the fact that severance is more commonly included in all employment contracts in the UK. In terms of eligibility in the UK, nearly 75% of respondents require somewhere between one to five years of service, skewing slightly higher toward two to five years (39%).

Germany, meanwhile, breaks away on the question of eligibility, offering severance to fewer employees than any other country. Only 46% of German respondents say their organizations offer severance to all employees. Likewise, German companies are also the most stringent when it comes to service time required to receive severance, with 'more than five years' required for 34% of organizations.

In terms of generosity, Belgium and the Netherlands tend to offer eligibility with minimal service time, with 26% and 32%, respectively, requiring less than one year of service. By comparison, fewer than four percent of workers in the UK and Germany with less than a year of service are eligible for severance benefits. European companies – especially in the Netherlands and the UK – are also most likely to offer severance to administrative and clerical workers.

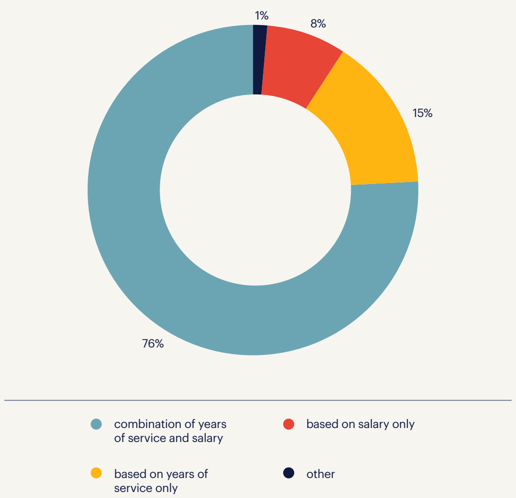
calculation

Unlike eligibility, little has changed when it comes to calculation. The vast majority of employers still calculate severance based on both tenure and salary, just as in 2019, and we found this true across nearly all countries surveyed. An overwhelming 76% of respondents calculate severance based on a combination of tenure and salary, marginally more than the 72% who said the same in 2019. Just 15% say severance is calculated based on tenure, while 8% base it on salary alone, differing little from the 13% and 12% who said the same, respectively, in 2019.

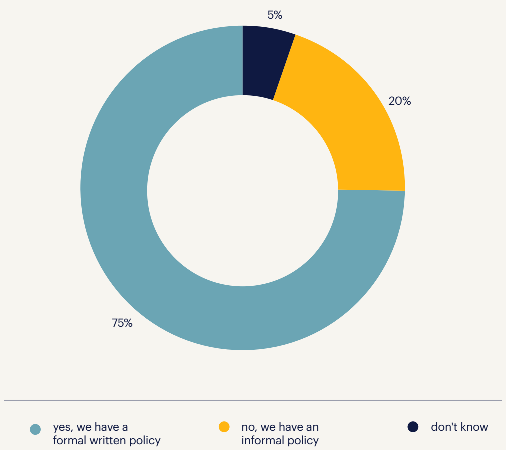
Interestingly, companies with 251 to 500 employees are most likely to base severance solely on years of service, while those with 250 or fewer employees are most likely to base it only on salary. It's also noteworthy that more companies now have formal severance policies in place than they did just two years ago. In 2019, 62% said they had formal written policies, compared to 75% today. Organizations in India and the Netherlands are most likely (84% and 82%, respectively) to have such policies, while German companies are by far the least likely (44%) to have these in place.

While some employers believe informal, unwritten severance policies provide 'flexibility,' formal written plans may actually be more advantageous because they provide consistency and limit legal and compliance risks. The uptick in formal plans is a positive sign. A competitive, written severance policy can make your company more appealing to prospective job candidates, while also signaling to current employees that you value their service and are committed to doing the right thing even after they leave the company.

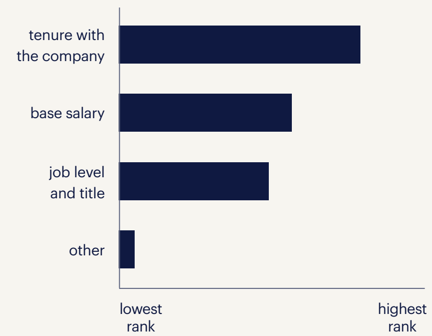
how is the cash portion of severance calculated?



does your organization have a formal, written severance policy?



please arrange the list below in order of importance to rank the factors used in calculating severance.

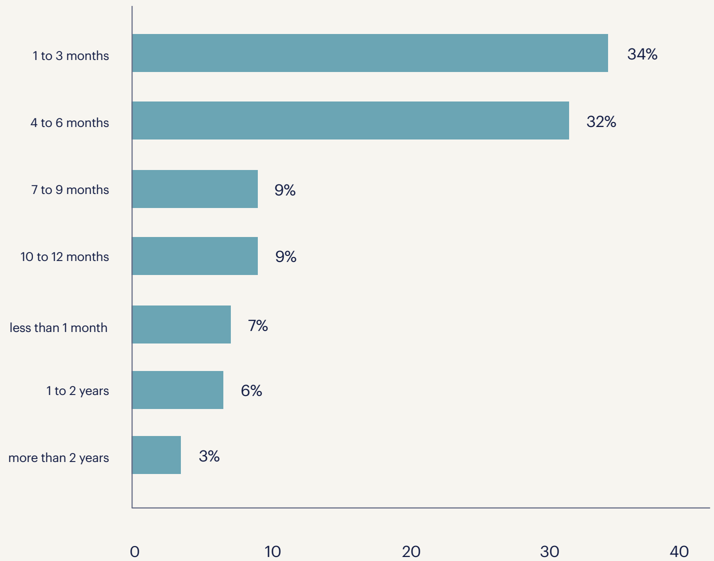


In each country, 'tenure with the company' is the leading factor in calculating severance, but an interesting divergence appears among the factors that follow. In the US, India and Belgium, 'job level and title' are in close second place, but in every other country, 'base salary' is weighed more heavily.

In terms of how much actual salary is offered via severance, 34% say one to three months of salary is provided, followed by 32% who say four to six months. This latter percentage reflects a 12 percentage point increase from 2019 and a consolidation of severance pay largely into the one to six month time frame. In comparison to 2019, 7% fewer employees are receiving six to 12 months of salary at severance. These categorical breakdowns hold true for every country surveyed, though in Australia and the Netherlands, four to six months of severance is most common. In fact, in the Netherlands, almost 60% of respondents say four to six months is the norm.

Some extraordinarily generous companies offer far more. Nine percent of respondents say their organizations offer over a year's worth of severance upon separation. That number, however, is down from 2019, when 12% of respondents said they offered a year or more of severance.

how many months of salary is typically offered to employees as part of severance?



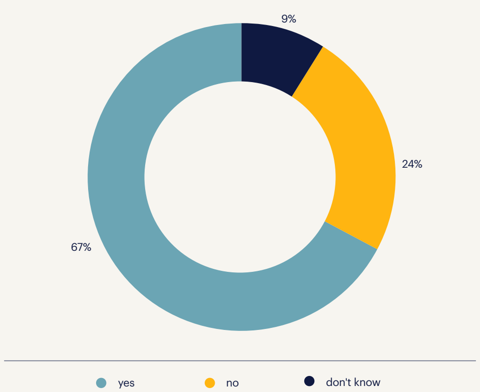
notification

It's long been par for the course for employers to require employees to sign a legal release in exchange for a severance package. But they've become substantially more likely to do so over the past two years, which may indicate a growing sophistication among employers when it comes to protecting organizations from potential future legal claims. We found the changes consistent across organizations in the countries surveyed.

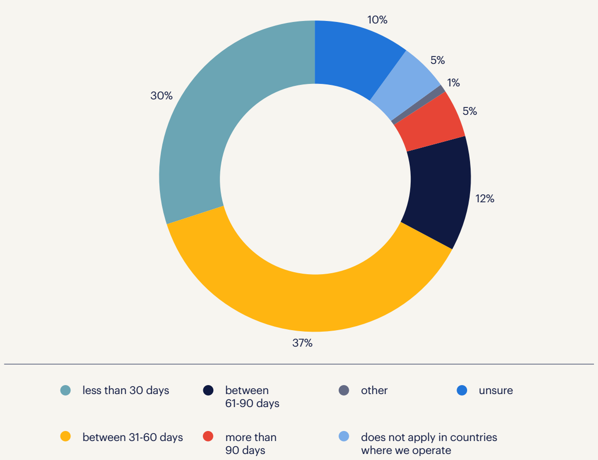
More than two thirds (67%) of organizations require employees to sign a release of legal claims – a massive jump from 2019, when just 49% required signatures.

Meanwhile, employers across the board are showing greater sensitivity to older employees when it comes to involuntary separation than they did just two years ago. As always, it is important to know what the law says about notification. Most states in the US provide between 21 and 45 days for employees over the age of 40 to sign a release of claims form. In 2019, 42% said they gave those over 40 fewer than 10 days to sign. Our latest research, however, shows that the number has dropped to just 30%. Offering those over 40 between 30 and 60 days is now most common (37%), while 34% said the same in 2019. In an environment where mature workers still face bias and pandemic workforce reductions have taken their toll on older workers, legal experts anticipate age discrimination lawsuits will increase. By offering employees over age 40 more time to consider signing a release of claims, organizations can convey to these employees a desire to give them adequate time to make unpressured, informed decisions.

does your organization require the employee to sign a release of legal claims in exchange for the severance package?



for employees over the age of 40, how much time is typically given to sign a release of claims or waiver form?



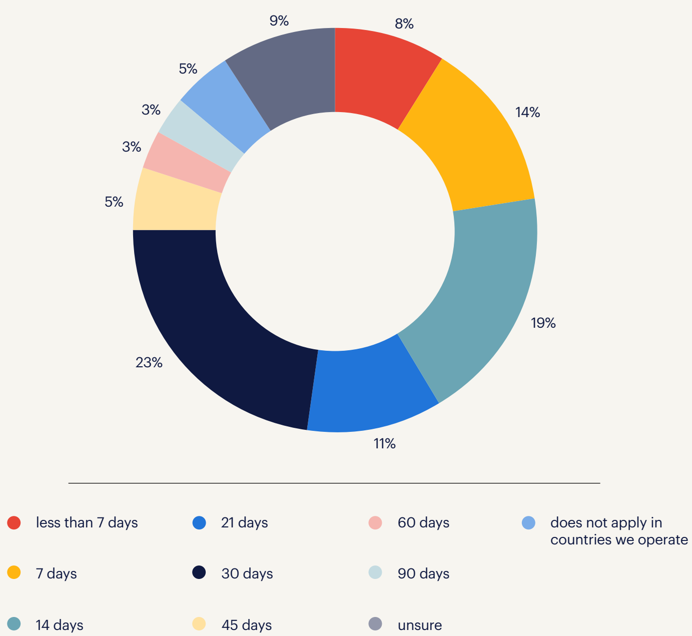
On the other side of the age spectrum, however, employees under 40 are also receiving somewhat more time to apply their signatures to the dotted line. Like our 2019 survey, most of today's employers give workers 40 or younger 30 or fewer days' notice. However, in 2019, 14 days was by far the most common (18%), followed by seven days (16%). In 2021, 30 days is now the most common (23%), followed by 14 days (19%).

These overall numbers would signal an across-the-board increase in compassion for employees, but when we zoom in on just the smallest companies in the mix, we found a range of sensitivity at hand for employees over and under 40.

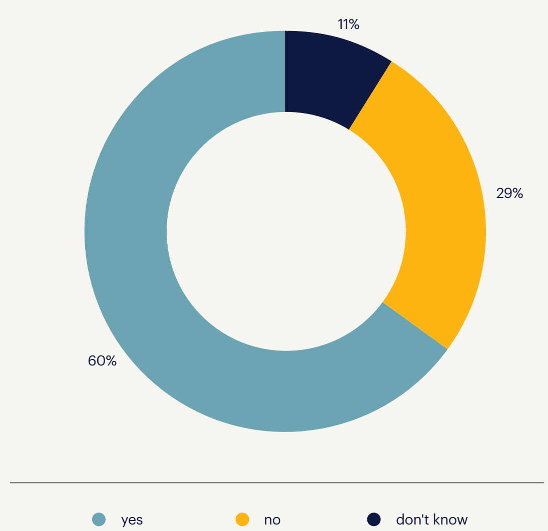
The smallest companies (fewer than 250 employees) are most likely to give employees under 40 less than seven days and second most likely to give them exactly seven days to sign a release. However, 20% say they give under-40s 30 days to sign.

Of course, not all employers give their employees notice at times of separation. Sixty percent offer cash payments in lieu of notice as part of their separation policies. Just under a third of respondents (29%) say their organization doesn't offer payments at separation, and 11% don't know the policy.

for employees under the age of 40, how much time is typically given to sign a release of claims or waiver form?



is payment in lieu of notice considered a part of your separation policy?



benefits

With companies in a continual race to provide attractive perks and outside-the-box benefits to attract new talent, when it comes time to separate, the tried and true incentives still reign supreme.

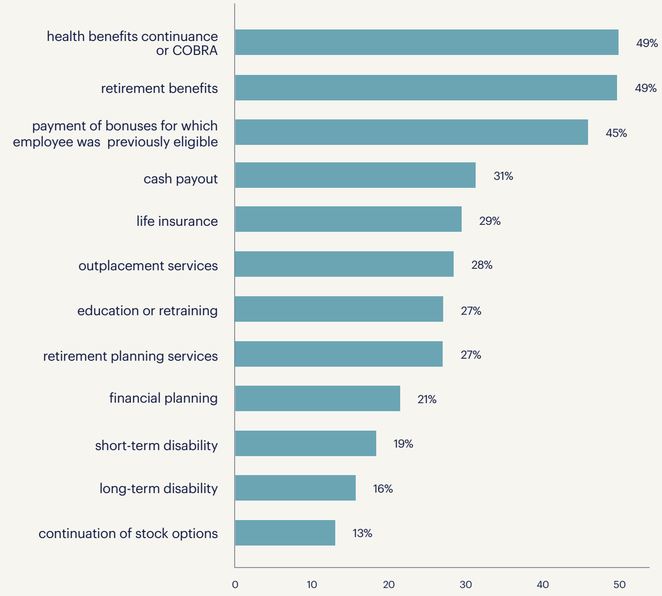
According to our survey, the top benefits offered to employees upon involuntary separation are:

- COBRA (US only) or continuance of health benefits*
- retirement benefits
- payment of bonuses for which employee was previously eligible
- cash payout
- life insurance
- outplacement services

The top benefits are identical to the ones in our 2019 findings. On this front, employers have already started to take some action. While the smallest and largest organizations on our list are most likely to provide standard benefits such as retirement, health benefits and bonus payments, benefits like financial planning and education and retraining moved up from their bottom-two rankings in 2019. Connecting employees with resources to secure their financial futures and providing them with tools and resources to develop skills they can take to new opportunities are well in line with the benefits needed to address severance expectations for today's early- and mid-career workers.

*Survey results do not incorporate temporary impacts to COBRA coverage by the American Rescue Plan Act of 2021

which of the following benefits are offered to employees upon involuntary separation?



benefits that have remain unchanged or expanded in the past two years among the 27% that made changes:

- outplacement
- education or retraining
- life insurance
- financial planning
- continuation of stock options
- health benefits continuance
- long-term and short-term disability

benefits that contracted:

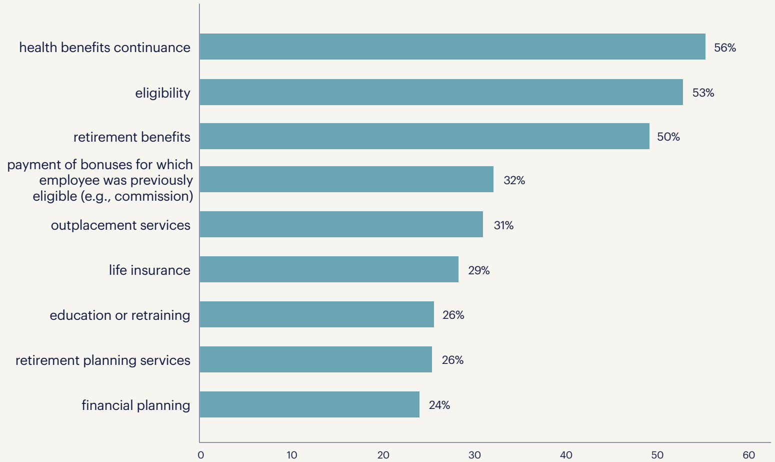
- eligibility
- retirement
- payment of bonuses

While the data as a whole emphasizes this overall trend of viewing an employer as a career partner – rather than a job provider – there were some lingering global outliers. India, for example, favored life insurance more than other countries. The Netherlands placed education and retraining above all else, and in the UK, cash payouts emerged on top.

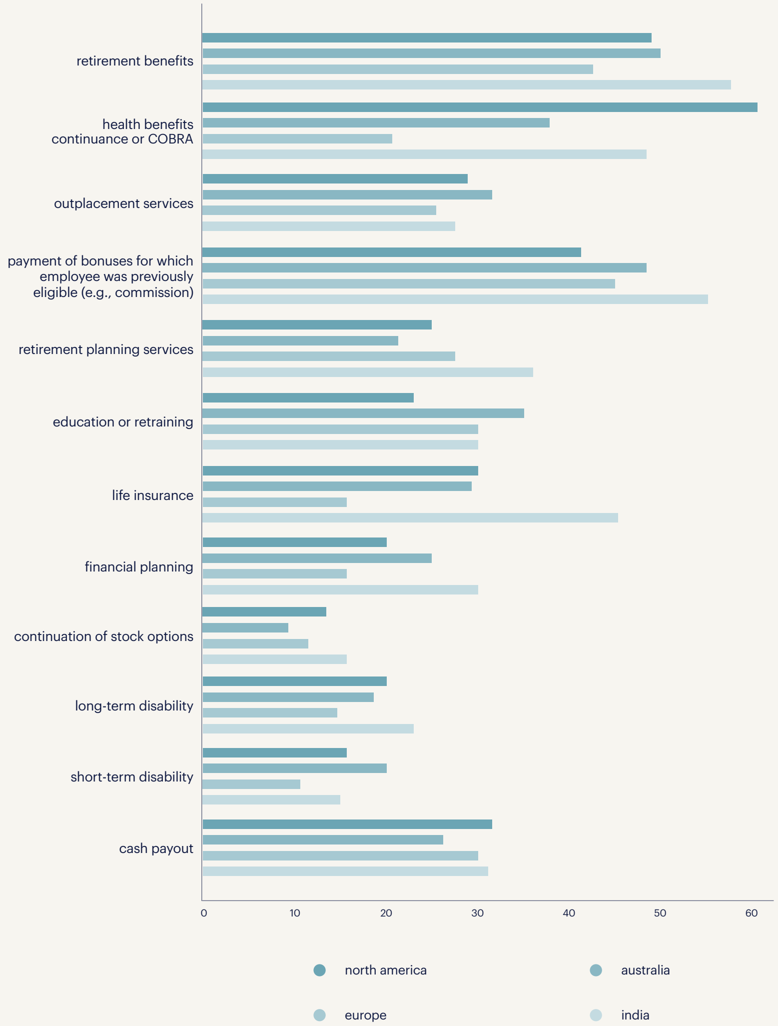
These anomalies may be explained, however, by taking a closer look at the average age of each country's respective populations. India, for example, has the second-highest number of older adults in the world, whereas the Netherlands and the UK skew much younger. In that regard, it becomes even more important that employers align their separation benefits with the appropriate life stages for their workers to ensure they deliver on the right expectations.

It's also worth noting that when asked whether they plan to make changes to their severance plans in the next 12 months, 26% of organizations say 'yes.' The areas they're most likely to change are health benefits continuance (56%), eligibility (53%) and retirement benefits (50%). This aligns with the overall through line of our survey: When employers do plan to change the benefits associated with their severance policies, those changes seem to be designed to give workers a better quality of life and improve the overall employee experience.

what elements of your severance policy are you considering changing?



most-offered benefits upon involuntary separation by region



HR solutions

retention

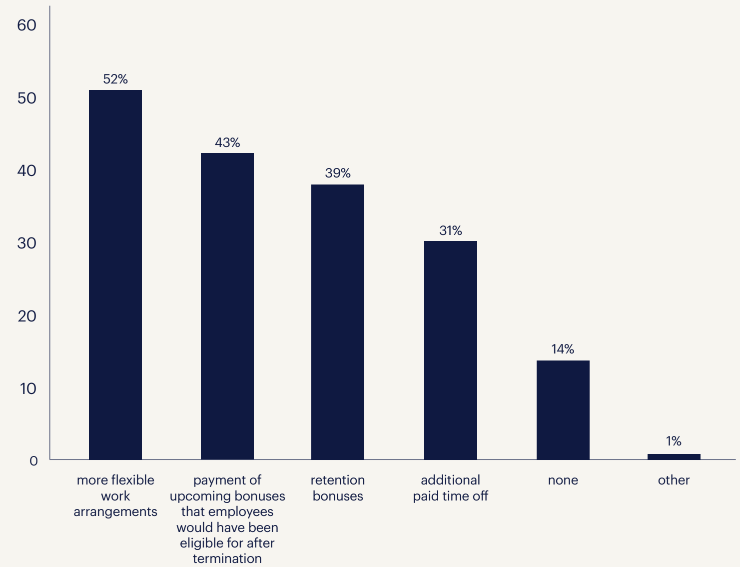
It doesn't matter if the rumor starts in a leaked memo, the latest numbers from a quarterly report or what employees hear from colleagues over chat or a video call. One thing is for sure: When talk of downsizing or layoffs gets in the air, news travels fast.

Especially for organizations navigating change, this can become a slippery slope where once-productive team members are no longer tracking down leads or focusing on business goals, but are connecting with recruiters and attacking the job hunt on all fronts. For their employers, the cumulative effect can make an already challenging situation exponentially worse.

There are measures companies can take to counteract this. Redeployment is a common one, and it's a topic that we'll turn to in the next chapter.

But there's another lever available as well: rolling out enhanced benefits during the layoff-notification period. No organization wants to lose its talented remaining employees during a workforce restructuring. Conveying to employees their value to the company by providing retention incentives can be a straightforward way to hold onto high performers and those with in-demand skills. Such incentives require less of a coordinated effort and entail significantly less risk than redeployments, and thus, for many organizations, represent an attractive option. In fact, our most recent findings reveal that all but 14% of companies are taking such an approach today.

when considering a layoff, what retention incentives do you employ? (select all that apply)



Perhaps the most common retention incentive – more flexible work arrangements – is so popular because it's easiest to implement. After all, it can be accomplished with little more than managerial notification and sign-off, followed by an email to the team.

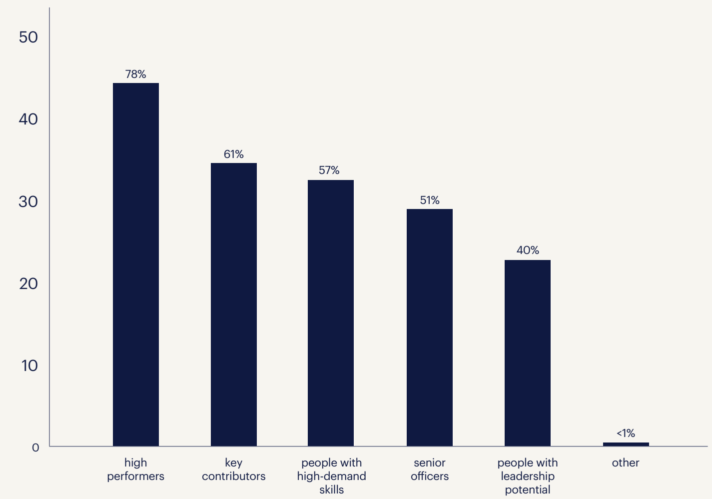
This is hardly a radical move, of course. Most employees are already working remotely due to the pandemic. And many of them have likely already adjusted their normal working hours to accommodate childcare and other responsibilities. Notably, too, offering more flexible work arrangements was the most commonly cited retention benefit two years ago. In the context of mass remote work, though, it stands to reason that such a move might be less, not more, effective today because most people expect a hybrid work environment as a condition of employment.

These signs suggest that many companies are taking retention risks seriously – and those that aren't may soon need to. Following Monster.com's alarming finding that 95% of workers are considering changing jobs, companies will need to leverage every tool at their disposal to keep valued workers in place.

With this so-called "Great Resignation" looming large over virtually every industry, it's fortunate that companies are widening their retention targets beyond just top performers. Our survey found that the majority strive to retain high performers (78%), key contributors (61%), workers with high-demand skills (57%) and senior officers (51%).

Retention incentives are more cash focused: 43% of companies are willing to pay upcoming bonuses and 39% are willing to pay retention bonuses.

who do you hope to retain by offering retention incentives during a layoff? (select all that apply)



Finally, it's worth noting that enhanced retention benefits tend to confer downstream value in a way that – however indirect, indelible and difficult to quantify – can be a differentiator for organizations, and that's in the realm of employer branding. No matter how generous a company's benefits offerings, not every employee is going to accept them. But this way, when the employees who leave return to the job market – or take to company review sites – they'll carry with them a far more positive view of their previous employer. After all, the decision to leave was one they arrived at independently, and despite the organization's efforts to keep them.

However, there are some geographic variations to note. High performers were the prime retention targets in all but two countries in the survey: In Belgium, key contributors were the most prized retention target (80%), with high performers coming in second (76%). In the Netherlands, high performers and key contributors were equally targeted for retention (64%). Meanwhile, in Australia, people with in-demand skills placed second (65%), even though they came third in every other nation we surveyed.

redeployment

What exactly does 'redeployment' refer to? The best approach to gauging the term's use is to look at a few concrete examples. While every redeployment program shares a common goal – keeping more of your valuable team members on board – in practice it can play out in a variety of ways, and tends to vary from one organization to the next.

One of those differences: Some redeployments are voluntary. Others are not.

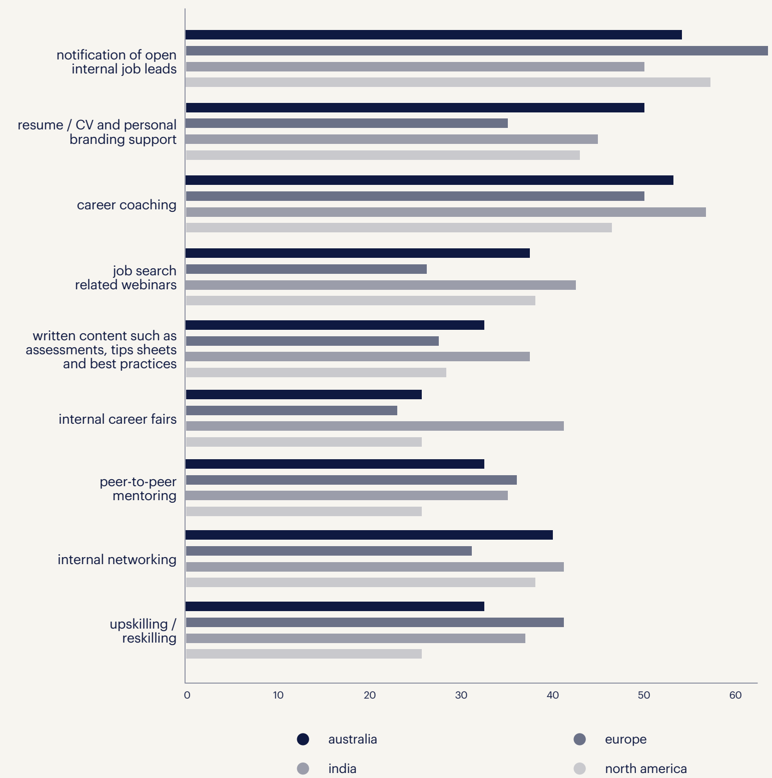
A good example of the former might be an organization where changes in business strategy lead to the elimination of roles, while at the same time opening up vacancies in an adjacent department or team. In that case, it could make sense to offer those open positions to existing employees instead of letting them go. Of course, that might come with some reskilling and training costs. The survey data reflects the innovativeness of organizations in responding to the rapid business changes required to adjust in the pandemic and the desire to avoid layoffs where possible: 56% rapidly redeployed employees to other parts of the business while 49% shared talent temporarily with partner or outside organizations.

The other type of redeployment – in which an employee receives notice that their job is being eliminated and has a fixed amount of time to look for another internal role – is a typical byproduct of business necessity. For example, a company with structural changes and layoffs on the horizon might look to redeployment as a way of shoring up its highest-priority business areas in the short term. Indeed, that's the strategy being used by the majority of companies (66%) in our survey, which may be broadly indicative of both the pace of change and the rapidity with which disruption occurs in our current business environment. Not surprisingly, addressing changing business needs was the most commonly cited rationale for redeployment at companies in our survey.

But before we get too deep into the weeds, let's zoom out a bit to provide a lay of the land. What's the 360-degree view when it comes to redeployment today?

77% of organizations have redeployment programs to help employees find new roles internally, a 28% increase from 2019.

which services are part of your redeployment program?



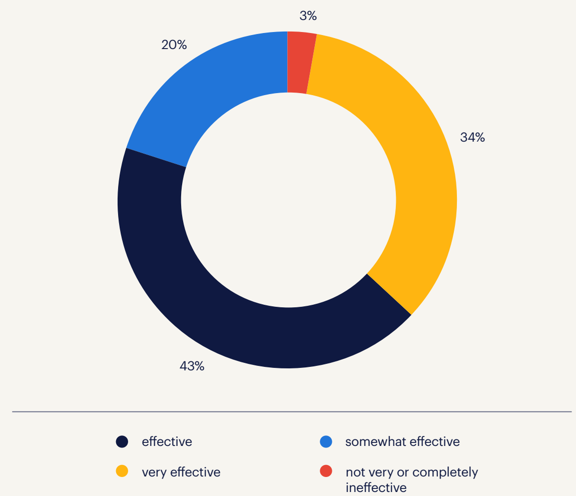
One immediate takeaway from all of the data: Companies are clearly keen to keep employees on board however possible, with 88% encouraging team members to apply for other opportunities internally. While that percentage may be only slightly higher than it was two years ago (82%), organizations are taking much more robust approaches in how they go about it. For example, 77% of organizations surveyed now have formal redeployment programs in place to help employees land internal roles, compared to just 60% in 2019. And these programs are clearly working: 97% said these programs were at least somewhat effective. More than one in three respondents (34%) view their redeployment programs as 'very effective,' whereas only one in five felt the same in 2019.

This level of progress is positive news. Redeployment should always be part of an organization's strategy for encouraging internal career mobility. It offers more exposure to opportunities, including skills development for employees, and maximum value from existing human capital investments for employers. The fact that nearly twice as many companies – 43% in 2021 versus 22% in 2019 – are now partnering with outside consultancies to run their redeployment programs likely has a large role to play in it.

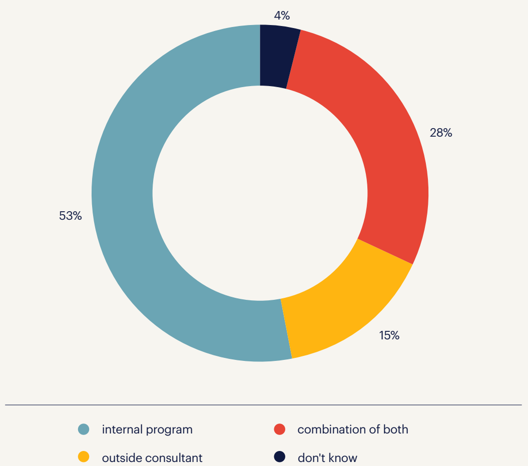
Redeployment is often part of a larger career mobility strategy that incorporates continuous career development, skill building and the matching of employees and skill sets to internal roles to create talent marketplaces. As such, it makes sense that organizations would look to outside experts to help them build or strengthen their career mobility initiatives.

> Twice as many companies – 43% – now work with outside partners to help them manage their redeployment programs compared to two years ago.

how would you rate your organization's redeployment programs?

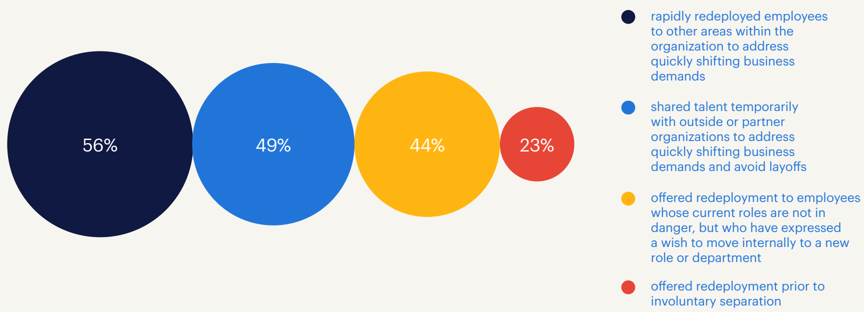


is your redeployment program run internally or through an outside consultant?

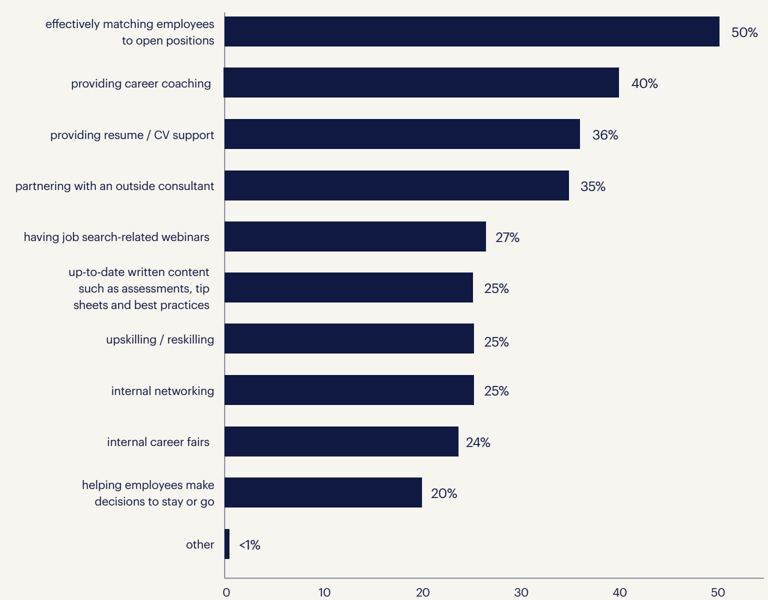


For redeployment, there remain key areas for improvement, which most employers acknowledge. Half say they want to do a better job of matching employees with open positions, while 40% think they could improve their redeployment program by offering employees more robust career coaching and 36% say providing resume/CV support would help. Making headway on these goals could translate into significant bottom-line gains for businesses in the future. Successfully pursuing an internal role requires the same coaching guidance, career expertise and personal branding resources as looking for a job externally. Leading companies realize that providing robust resources internally will help them retain employees and broaden skills that will promote workforce sustainability and business agility.

if you have a redeployment program, how have you used it within the past two years? (select all that apply)



what would help you improve your redeployment program? (select all that apply)



outplacement

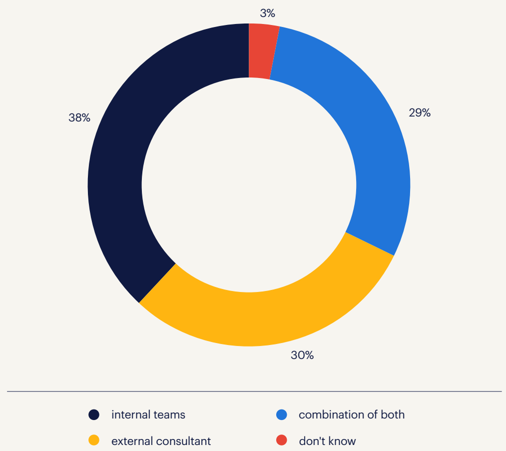
Outplacement is another area in which significant change has occurred in the past two years. In 2019, among those that offered outplacement, 34% looked to external consultants to manage their outplacement offerings. Today, that number has jumped to nearly 60%. As with redeployment, this reflects a move away from managing these efforts solely in-house and toward a hybrid or fully outsourced model.

This is likely the result of two factors at work: HR teams are increasingly asked to do more with less, making the outsourcing of practices that aren't part of daily business operations increasingly attractive. Second, very few HR teams have outplacement experts on board, so leveraging know-how in the form of external partners makes business sense.

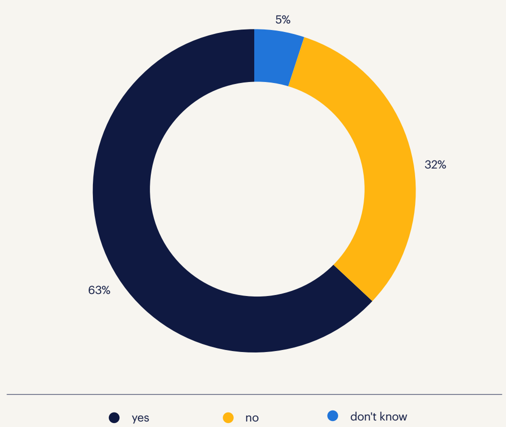
There are many HR practitioners who may not have had experience with sudden workforce reductions, given that the last significant economic downturn, prior to the pandemic, occurred over a decade ago during the Great Recession. Particularly for organizations that found themselves having to abruptly reduce their workforces during to the pandemic, relying upon an experienced external partner was a plus. In fact, 63% of respondents said they began offering outplacement in the past two years. By relying on an expert partner, companies are able to manage workforce transitions more smoothly, protecting impacted employees and employer brand, while enabling HR teams to continue juggling the many pandemic-related workforce issues.

> 'Thanks to government-funded furlough schemes, the number of layoffs has been limited in Europe. During this past year, companies have realized that a properly skilled, future-fit workforce is critical – whether employees need to find work elsewhere in their organization or be prepared to move on due to redundancies. The rapidly changing environment has only heightened the strategic need for employers and employees to be agile and adaptable.'
>
> arco elsman
> managing director, europe

is outplacement provided by internal teams or via an external consultant?



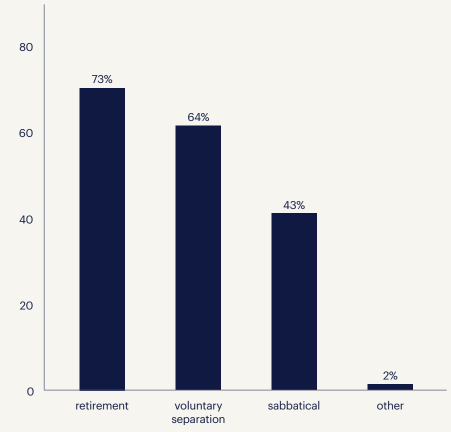
did you begin offering outplacement in the past two years?



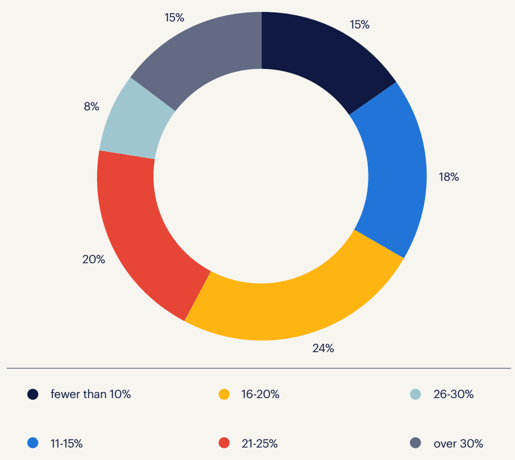
Nonetheless, we found significant differences among countries. Companies in the Netherlands (48%), India (45%) and Germany (44%) are most likely to go it alone, while companies in Canada (74%) and Belgium (71%) are most likely to use external consultants or a mix of both.

Of course, outplacement isn't the only lever organizations can use to mitigate or even avoid involuntary separations. In fact, half of companies offer employees voluntary programs when faced with the possibility of a layoff: 73% offer retirement packages, while 64% offer voluntary separation agreements and 43% offer sabbaticals. However, despite the popularity of voluntary separation programs among employers, 85% of HR professionals said that fewer than a third of workers accept them.

what types of voluntary programs do you offer to employees to avoid involuntary separation? (select all that apply)



what percentage of employees who are offered voluntary programs accept them?



who receives outplacement – and why?

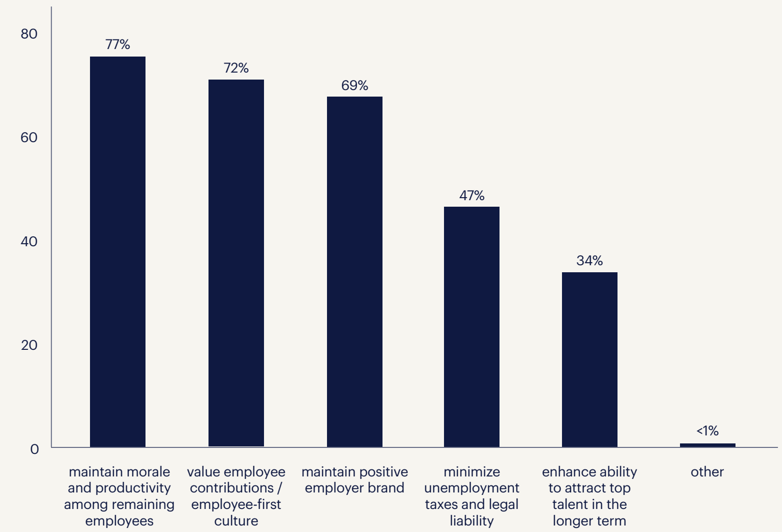
Our survey found that 55% of respondents say they offer outplacement services for separated employees, and of that, 57% offer it to nonexempt employees. Additionally, the rate at which companies offer outplacement to impacted employees has risen five percent since 2019 – but it's fallen six percent for nonexempt employees. In short, more full-time employees receive outplacement today, but the opposite is true for workers who are entitled to minimum wage and overtime pay.

As for why employers offer outplacement, our survey revealed it comes from a mix of altruism and straightforward business sense:

- preserve morale and productivity among remaining employees
- value employee contributions/employee-first culture
- maintain positive employer brand

This recent interest in outplacement, paired with the increased focus on the employee experience, may be a sign that more companies are internalizing the value of taking better care of their employees – even as they transition out of the organization.

what are your top three reasons for offering outplacement? (select all that apply)



what services are offered via outplacement?

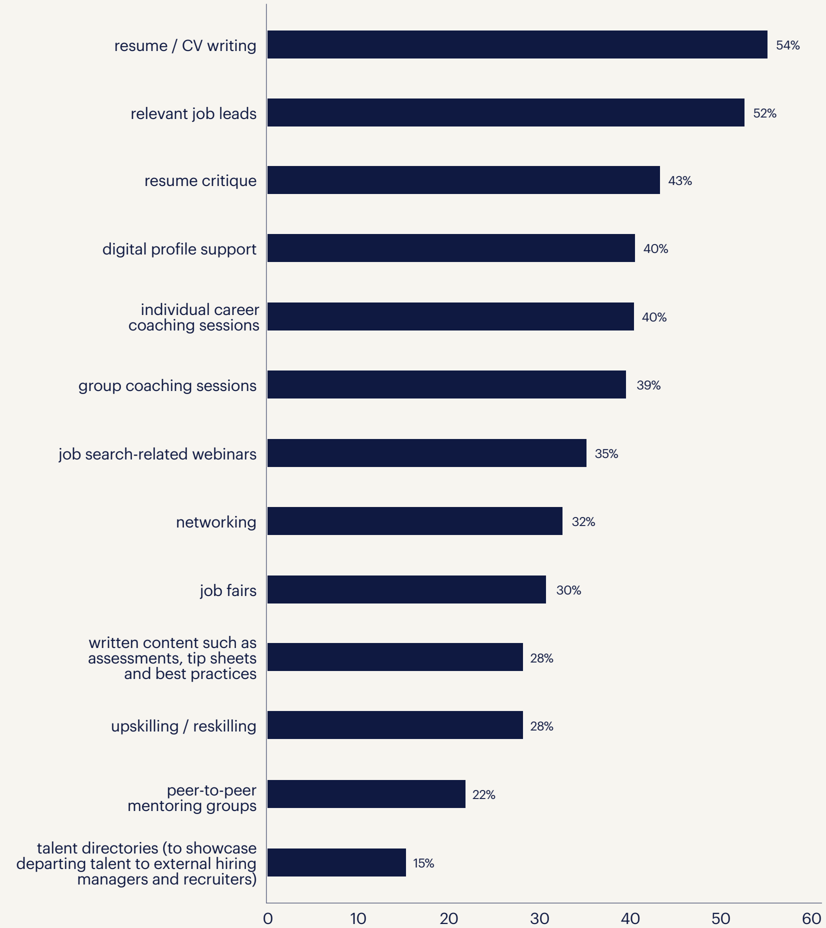
Outplacement often encompasses a range of services designed to help workers find new employment, and can include career coaching, job search assistance, resume writing and interview preparation. Our survey found that, globally, resume/CV writing topped the list of services offered (54%), with access to relevant job leads coming in a very close second (52%) and career coaching, either 1:1 or group coaching, and digital profile support tying for third place at approximately 40%.

Having an expertly written resume/CV and professional profile that are keyword optimized, reflect an individual's skills – including transferrable ones – and focus on results achieved is essential to attracting the attention of recruiters and hiring managers. Coaching is also a critical component during transitions because it enables an impacted employee to learn the latest job search skills, organize and conduct an efficient search based on a strategic plan, and receive ongoing, practical support and encouragement to push through the ups and downs of finding work.

The countries in our report are evenly split when it comes to favoring group versus individual coaching sessions. Group sessions are most popular in Australia, Germany and the US. The opposite was true in Belgium, Canada, the Netherlands and the UK. In those nations, separated employees are far more likely to receive one-on-one attention.

It's also worth noting that just 11% of employers offer cash in lieu of outplacement – down from 27% in 2019. Some employers view cash as preferential to providing outplacement because it provides a financial cushion for impacted employees. While this may seem like a sensible approach in the short term, it can actually do more harm than good. When the cash runs out, the individual may still not have found work. Often, these individuals restart their emotional process of grieving and become angry at the employer who has not sufficiently prepared them to meet the challenges of job search. Providing employees with career transition assistance arms them with the support, tools and resources needed to land a new role.

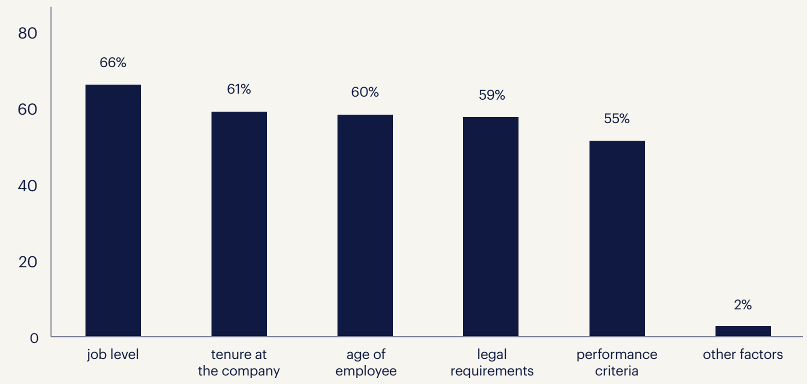
which services are available through your outplacement programs?



which factors determine length of outplacement services?

Little has changed from our 2019 survey in terms of which employees are most likely to receive outplacement services. Job level and employee tenure are still the leading factors in determining eligibility for outplacement, followed by legal requirements and the age of a given employee. Job performance factors the least, coming in last with only 39% of respondents indicating it as a major factor.

which factors determine the length of time that outplacement services are offered to impacted employees? (select all that apply)



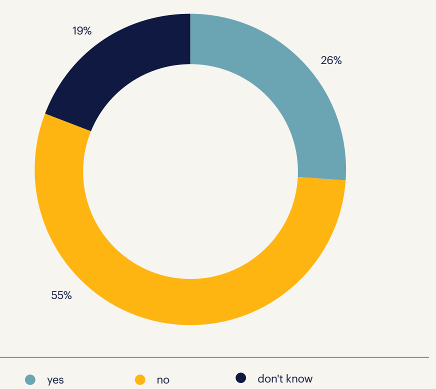
factors determining the length of time for outplacement services (by region):

	australia	europe	india	north america
1	tenure at company	tenure at company	job level	job level
2	age of employee	job level	tenure at company	tenure at company
3	job level	legal requirements	age of employee	legal requirements
4	legal requirements	age of employee	legal requirements	age of employee
5	performance criteria	performance criteria	performance criteria	performance criteria

how effective is outplacement?

At RiseSmart, we're well aware how effective a best-in-class outplacement program can be. But curiously, more than a quarter of respondents who partner with outplacement providers (26%) told us their providers don't survey impacted employees to gauge the effectiveness of their programs. This was more or less true for every country in our survey, with the exception of two: In India, 84% say their providers survey impacted employees, while in Canada, close to one third conduct surveys. Clearly, there are major differences around the globe when it comes to gauging outplacement's effectiveness.

does your outplacement provider typically survey impacted employees for feedback on their outplacement experiences?



When outplacement providers do survey impacted employees, just over half are measuring the effectiveness of key elements of outplacement services:

- job leads
- job search resources
- resume/CV services
- coaching

Less than 25% ask questions about the overall quality of the outplacement program. The tendency to overlook evaluating the efficacy of an outplacement program is a clear area of improvement for many providers. If they aren't surveying the program participants they're serving, they can't adequately assess the value they're delivering – and that leaves both employers and their separated workers without the data and insights needed to optimize outplacement effectiveness. RiseSmart surveys participants on these and other factors throughout the outplacement program and provides this data to HR. This transparency enables us to adjust services to ensure their effectiveness for participants and a return on investment for customers.

outplacement in the wake of COVID-19

We'd be remiss not to include the impact COVID-19 has had on employers' outplacement decision-making. In fact, 60% said COVID-19 impacted their decisions to offer outplacement, a sign that companies are becoming both more generous to separated employees and more aware of the impact these former employees can have on their employer brands. During the pandemic, providing outplacement became seen by leading employers as a reflection of their compassion and commitment to employees and a desire to do the right thing.

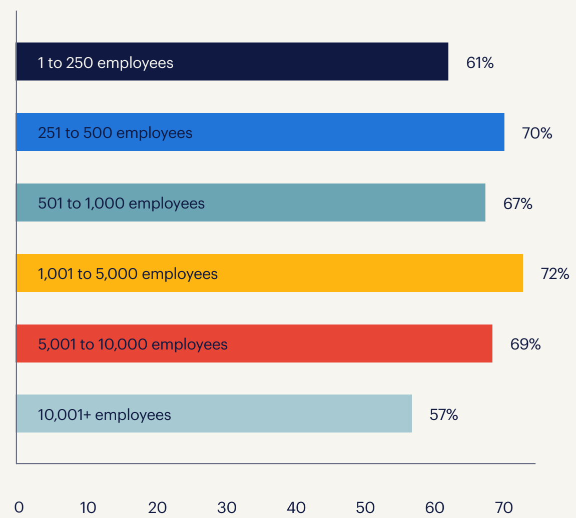
employer brand protection

Employer branding certainly isn't new. By definition, it is the identity that an organization communicates to current and potential employees and is core to the employee value proposition. Providing severance benefits, including redeployment and outplacement services, can safeguard employer brand, but some organizations have yet to make its measurement a priority. This is a serious misstep that can leave organizations vulnerable to negative reviews online, poor referral rates and decreased retention – to say nothing of the adverse impacts a poor employer brand can have on consumer preferences.

Despite the widespread understanding of the importance of employer branding, just 67% of employers have programs in place to protect their employer brands – a number that's virtually unchanged since 2019, when 68% of employers said the same. Likewise, almost a third (30%) of respondents say they still don't perform exit interviews. Such interviews can help an organization better understand their employees' experiences and their impact on employer branding. Companies in India are most likely (84%) to have such programs in place to protect their employer brands, while companies in Australia (55%) and the UK are least likely (53%) to say the same.

Curiously, both the largest (10,001 or more employees) and the smallest (fewer than 250 employees) companies in our survey are least likely (57% and 61%, respectively) to have programs in place to protect their employer brands. The largest may feel it's unnecessary to have such programs due to their sheer scale and market position as employers. For the smallest, it may be due to a lack of resources or sophistication. Among companies that fall somewhere in the middle, it's clear that employer branding protection is a mission-critical part of their hiring and retention strategies. After all, they have to compete for talent with enterprise-level companies and can't afford to leave their brands on autopilot.

percentage of organizations with programs in place to protect and improve employer brand



> 'Even in adverse workforce transition circumstances, compassionate outplacement and mental health support can help organizations retain and build their employer brand. Looking more broadly, approaching career mobility upstream through career development, upskilling and redeployment can reduce the negative impact of workforce reductions, further strengthening employer brand. Individuals develop change-fitness and become more employable, which empowers them to face adversity and create their future – either in the organization or beyond.'
>
> alison hernandez
> managing director, asia pacific

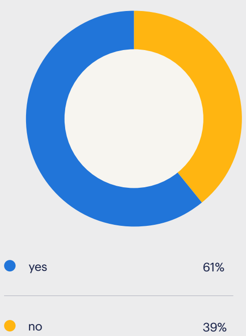
The same can be said for employer review sites like Glassdoor and Indeed. While 63% of all employers say they monitor such sites following a layoff – a number that's little changed since 2019 (58%) – the two largest segments (5,001 or more employees), as well as the smallest, were least likely to monitor these sites, likely for the same reasons mentioned above.

Of course, exit interviews and review sites are hardly the only opportunities to measure employees' feelings about their employers – and employers have to wait until separation to gauge those feelings. It's never been easier to understand what your employees think of your organization. Social media monitoring and internal surveys are easy, no-cost or low-cost options for gathering insights about employees' feelings. Yet, among the respondents who do perform interviews following a layoff, 82% don't have any vehicle other than exit interviews for monitoring employee sentiment.

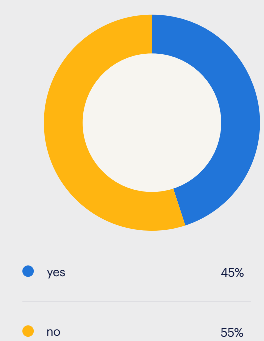
What former employees think of their previous employers can have an impact on talent attraction. Consider that in Randstad's Employer Brand Research 2021 Global Report, job portals were the most often used channel (32%) for job search and Indeed was used by 55% of those job seekers. The most popular social media channel for job search was Facebook (66%) while Twitter was used by 35% of job seekers.

Lastly, our survey revealed an 11% drop overall in negative reviews online following a layoff compared with two years ago. While there was a seven percent uptick in negative reviews on social media sites such as Facebook, Twitter and LinkedIn since 2019, there was an 18% plunge in negative reviews on employer review sites, from 64% in 2019 to 46% in our latest survey. What could account for this overall decrease? Perhaps it's the cumulative result of the compassion and generosity reflected in many of the results of the latest survey. Companies have clearly shown an increased interest in the employee experience, and this likely contributed to a decreased likelihood on the part of employees to share negative opinions online.

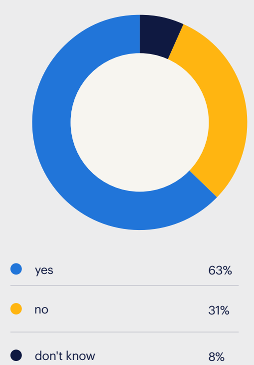
do you monitor other social media (Twitter, Facebook, LinkedIn, etc.) for positive or negative comments after a layoff?



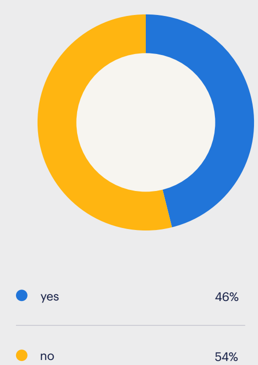
have you noticed an increase in negative reviews following a layoff?



do you monitor employer review/rating sites (Glassdoor, Indeed, etc.) for positive or negative comments after a layoff?



have you noticed an increase in negative reviews there following a layoff?



conclusion

conclusion

These findings collectively point to an employer landscape that's increasingly invested in the employee experience – even after employees are no longer with the company. Providing severance to more employees, demonstrating a greater understanding of the downstream benefits of redeployment and outplacement and leveraging external experts to improve these programs are all evidence of significant maturation over the past two years.

Even with these advances, there are still a variety of practices organizations can adopt to improve their workforce separation processes.

develop formal retention strategies

As the competition for talent grows increasingly fierce, more companies today are eager to retain valued employees and continue developing a workforce that is both sustainable and continually employable. But knowing you need to keep talented contributors and taking steps to actually do so are different. The first step toward better retention is to build a formal retention plan. A simple internal survey can reveal the types of perks and benefits employees find most attractive and implementing those benefits is a clear next step. Likewise, conducting exit interviews when employees leave can help identify additional ways to refine your retention strategy.

establish comprehensive redeployment plans to keep employees engaged and up-to-date with in-demand skills

As RiseSmart's global skilling report recently revealed, today's workers want to continually update their skill sets throughout their careers. Companies that make skilling a priority will have the best chance of not only retaining valued employees, but of continuing to increase the value of each employee, in turn enabling organizations to be agile in the face of accelerating change. One way to continue expanding skills is through redeployment, whether requested by the employee or offered by the company during times of restructuring. This element of internal mobility delivers value to your organization in several ways: Redeployment enables the organization to retain cultural knowledge, allows employees to move into roles, teams or internal gigs where they can deliver the greatest value and keeps employees engaged, interested and – most importantly – continually learning. Internal hiring also results in a faster time to productivity than hiring from the outside.

offer outplacement as a standard component of severance packages

Separation is an unfortunate reality for all businesses, but crafting a severance policy that incorporates outplacement can make the process less traumatic for separated employees and less difficult for all parties involved. The right outplacement solution can not only help separated employees gain new skills and secure new employment; it can also prove critical for your employer brand. Even after being involuntarily separated, workers who receive outplacement are less likely to view your organization in a negative light – and less likely to share that sentiment online. In fact, employees who feel they were treated fairly in unfortunate circumstances can become brand ambassadors. They may even return one day as contractors, consultants or employees.

promote your reputation by building a positive employer brand

The common thread revealed by the 2021 severance results is a greater focus on caring for employees and promoting an employee-first organization.

Now is the time to continue building employer brand to protect your corporate reputation. Trust takes a long time to establish but can be lost in an instant. What current and former employees say about their employers has tremendous impact on the ability to retain and attract talent.

In addition to exit interviews, companies can proactively solicit feedback and gauge sentiment in a variety of ways, such as through employee surveys, town halls and regular 1:1 career conversations between managers and their direct reports. Offering continuous career mobility programs, such as career development and redeployment, while also taking care of employees through outplacement, will build goodwill. The success of these programs should be measured while they're underway. RiseSmart's analytics and alumni sentiment ratings, for example, enable companies to track program success and gauge the feelings of program participants early on – and make adjustments if needed. In these ways, organizations can avert negative reviews on social media sites or at least have a plan in place to respond with positive messaging and engage in offline conversations with former employees who are dissatified.

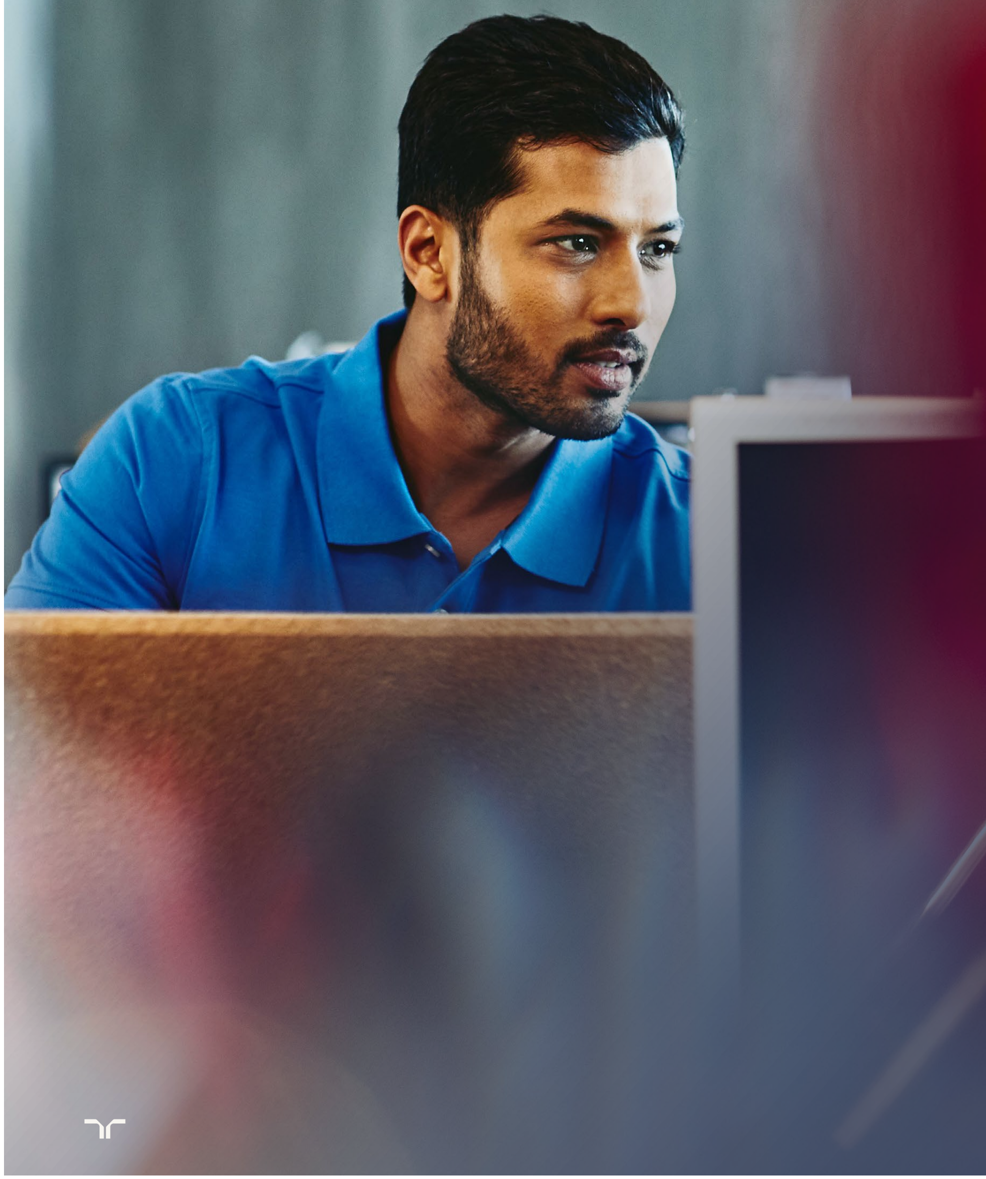
work with the right partner

As this study shows, employers today are increasingly turning to outside partners to help manage their outplacement and redeployment efforts. The reasons for this are many, as are the benefits that come with working with the right partner:

- Organizations that specialize in HR solutions like redeployment and outplacement, such as RiseSmart, bring years of subject-matter expertise not found in internal HR functions.
- Likewise, the experience of administering hundreds or thousands of outplacement and redeployment programs means they can apply their real-world learnings to customize a program specifically for your organization.
- The right partner can also alleviate the significant strain these programs place on internal HR teams that are administering them for the first time.
- An outplacement program that delivers meaningful value to separated employees can have real downstream influence on your employer brand – an impact that can't be overstated. RiseSmart maintains a 98% overall satisfaction score among our program participants, who also give consistently high ratings of our career transition teams.

*This Severance Guide is intended for general information purposes only and is not intended to constitute legal advice. We recommend you consult with your own legal counsel to determine how laws or recommendations discussed herein apply to your specific circumstances.

industry spotlights



While some trends were clear among all respondents, key differences exist between industries. Service time required for severance, the amount of severance offered and companies' motivations for offering severance, most notably, vary significantly from one industry to the next, as do a variety of other aspects of severance, separation, outplacement and more.

Click on one of the industry sectors below to see that industry – or peruse the entire section to get the whole picture.

- banking and financial services
- construction, chemicals, energy, manufacturing and utilities
- education
- healthcare and life sciences
- professional services
- software, IT, electronics and telecommunications
- transportation and automotive
- wholesale/retail and consumer packaged goods

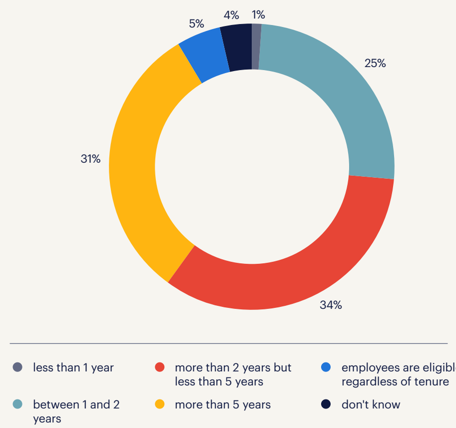
banking and financial services

severance

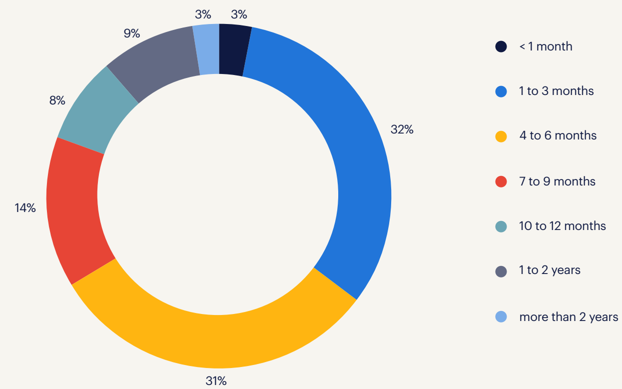
As an industry with deep resources, banking and financial services companies show marked variations in terms of generosity to separated employees. Organizations in this segment are more likely than any other industry to require lengthy tenures to be eligible for severance. Almost a third of banking and financial services respondents (31%) said their organizations require five or more years of service time for eligibility – six percent more than the average for all industries. Just one percent said employees with less than a year of tenure are eligible, compared to 10% of all respondents.

However, those who meet the requirements for severance in banking and financial services may be well rewarded for their loyalty: 12% of survey respondents said separated employees receive a year or more of severance – more than any other industry.

how many years of service must an employee have to qualify for severance?



how many months of salary is typically offered to employees as part of severance?

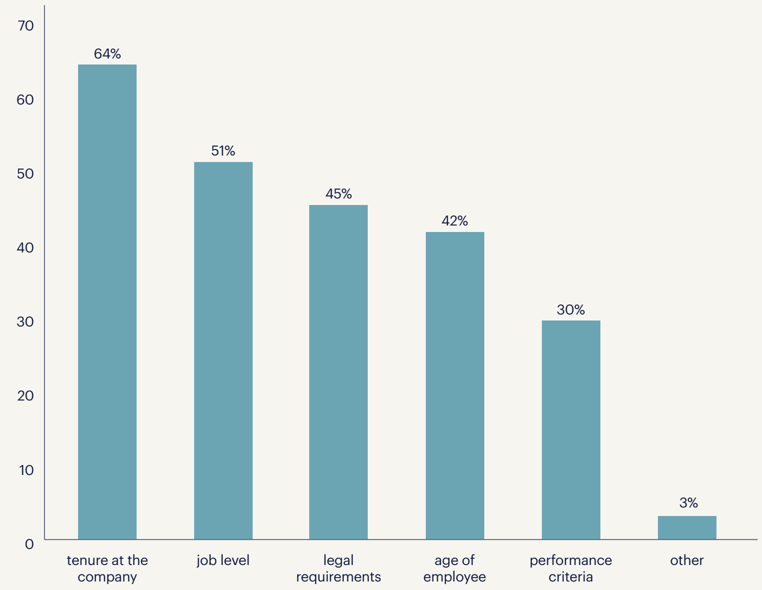


banking and financial services

outplacement

This sector again diverges from our general findings when it comes to the factors determining the length of outplacement received by separated employees. Across all industries, job level was the primary factor, but in the financial sector, tenure tops the list at 64%. This is yet another sign that employers in this space prize loyalty above all else.

which factors determine the length of time that outplacement services are offered to impacted employees? (select all that apply)



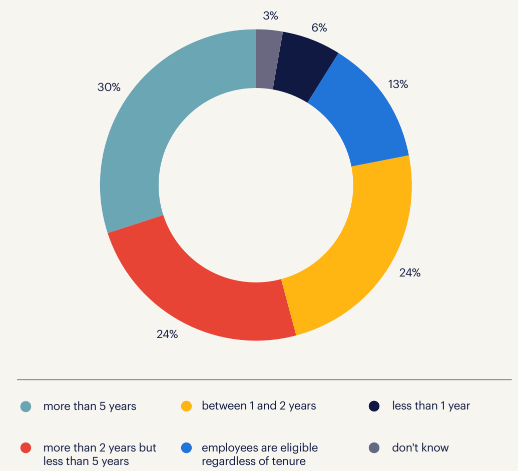
construction, chemicals, energy, manufacturing and utilities

severance

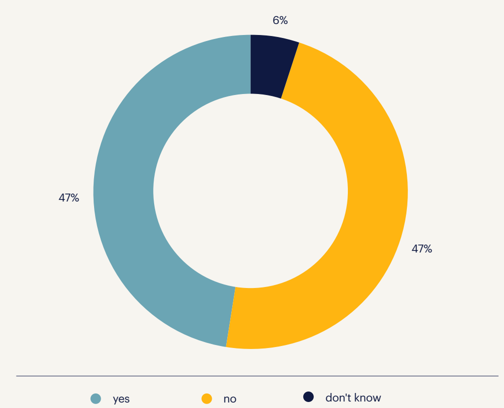
As we saw with the banking and financial services industry, employers in the construction, chemicals, energy, manufacturing and utilities space require a longer tenure to be eligible for severance. Nearly 30% of all respondents said their organizations require five or more years of service time for eligibility – a modest uptick from the 25% average for all industries. On the lower end of the tenure spectrum, employers in these industries are 40% less likely to offer severance to employees with less than a year of service.

In terms of offering employees voluntary programs like sabbaticals and retirement to avoid layoffs, employers in these sectors are evenly split: About half (47%) offer such programs, while the other half do not, which bucks the broader trend. Across all industries, 57% offer such programs.

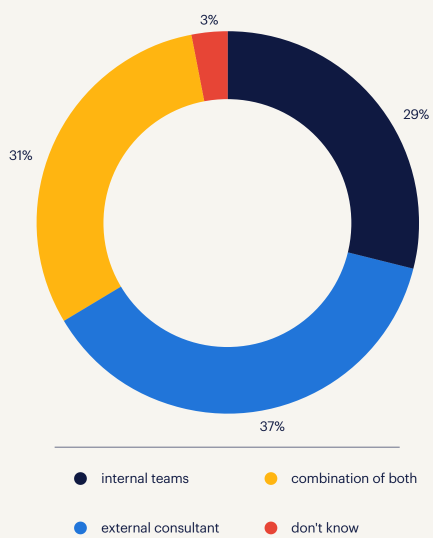
how many years of service must an employee have to qualify for severance?



do you offer employees voluntary programs to avoid layoffs?



is outplacement provided by internal teams or via an external consultant?



construction, chemicals, energy, manufacturing and utilities

outplacement

When it comes to the intricacies of outplacement, employers in this space are much more likely to leverage the experience and expertise of external consultants, as opposed to requiring internal teams to shoulder the additional burden. While just 29% rely on internal resources, 68% rely on external consultants or leverage a hybrid approach.

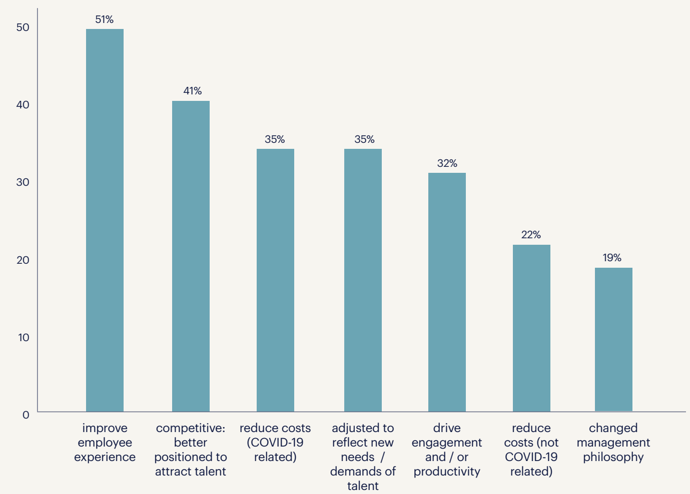
education

severance

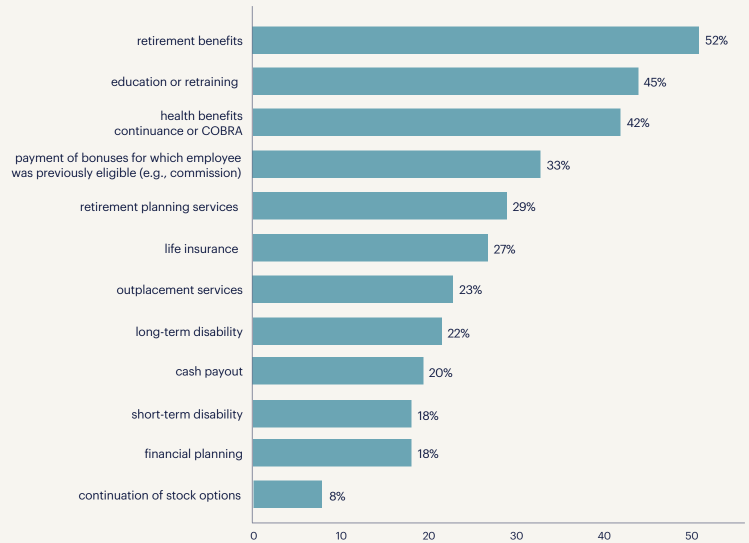
As the sector in our survey least likely to be Fortune ranked (51% said they weren't ranked – more than any other sector), it's not surprising that education organizations were forced to tighten their belts as a result of COVID-19. While improving the employee experience was still the leading driver of change when it comes to severance policies, 35% of respondents in education also cited COVID-19-related cost savings. That's seven percentage points higher than the global average, and it's also an indicator that education organizations rarely have the resources to weather once-in-a-lifetime events like the global pandemic without imposing cost reductions.

Respondents from the education sector were also more likely than any other to offer education and retraining as part of their severance packages. Forty-five percent of those in this sector said skilling was a part of their severance packages, compared to a global average of just 27%. Perhaps this is because they have educational resources close at hand and can offer them at little or no cost – or maybe they simply appreciate the value of skilling.

why did you make changes to your severance policy? (select all that apply)



which of the following benefits are offered to employees upon involuntary separation?

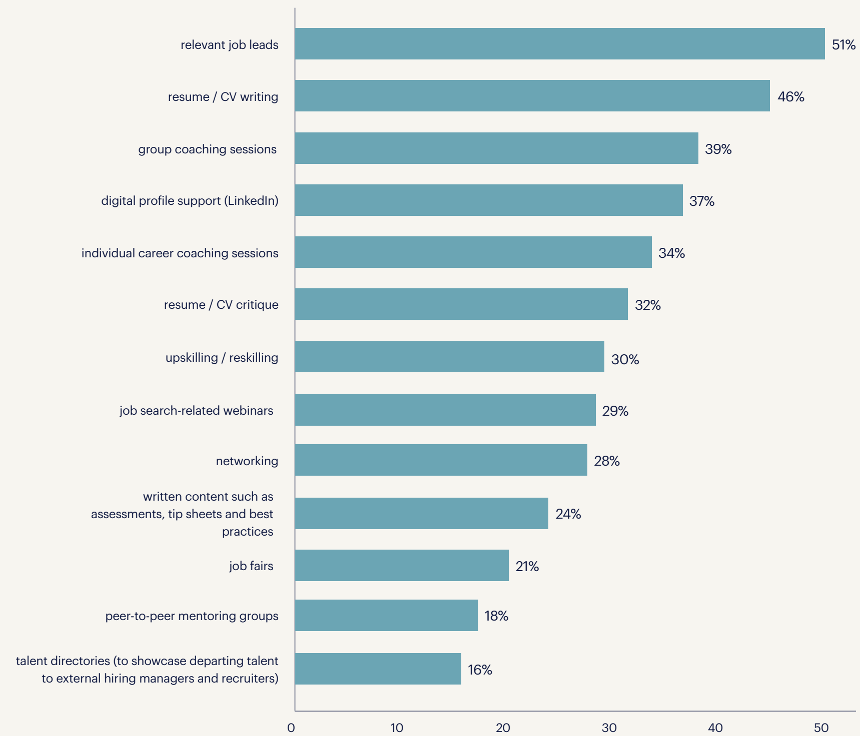


education

outplacement

That theme continues when we explore which services are offered during outplacement. While job leads and resume services are most popular within education, 30% cited upskilling and reskilling, more than any other sector except transportation and automotive (also 30%).

which services are available through your outplacement programs?



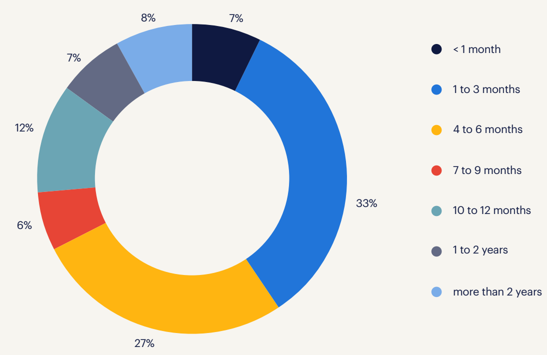
healthcare and life sciences

severance

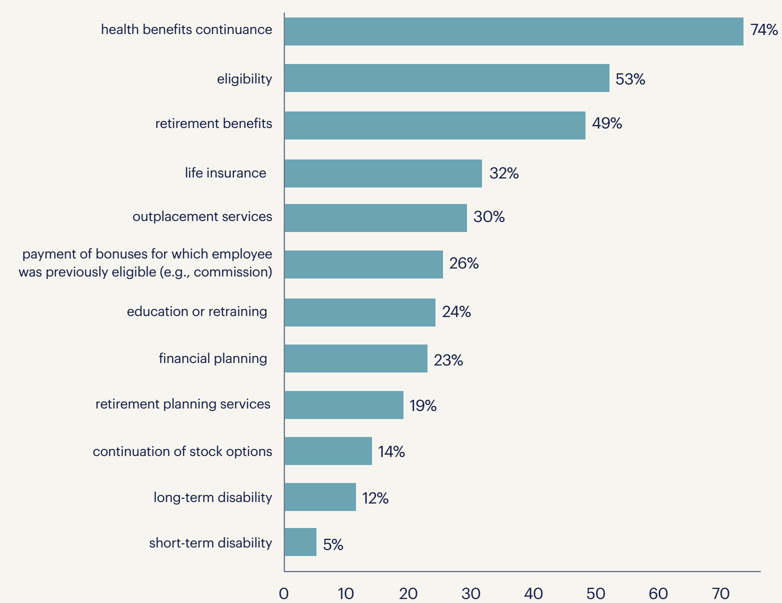
Healthcare and life sciences companies faced unprecedented challenges during the pandemic, but they also rose to the occasion in spectacular fashion. They displayed fortitude and resolve, and many workers within the industry were exceptionally generous with their time, their work – and even their health. Our survey found that the organizations employing those workers were more generous than other sectors when it came to length of severance: 15% of healthcare and life sciences organizations offer a year or more of salary, more than any other sector in our survey.

Among the 26% of companies in this sector planning to change their severance policies in the near future, continuance of health benefits is the top priority. No other sector said the same. This may be due, at least in part, to the demands placed on workers in this sector as the result of the pandemic. Sixty-six percent of respondents said they made changes to their severance policies to improve the employee experience, and giving workers peace of mind that their health care will be cared for is apropos.

how many months of salary is typically offered to employees as part of severance?



what elements of your severance policy are you considering changing?



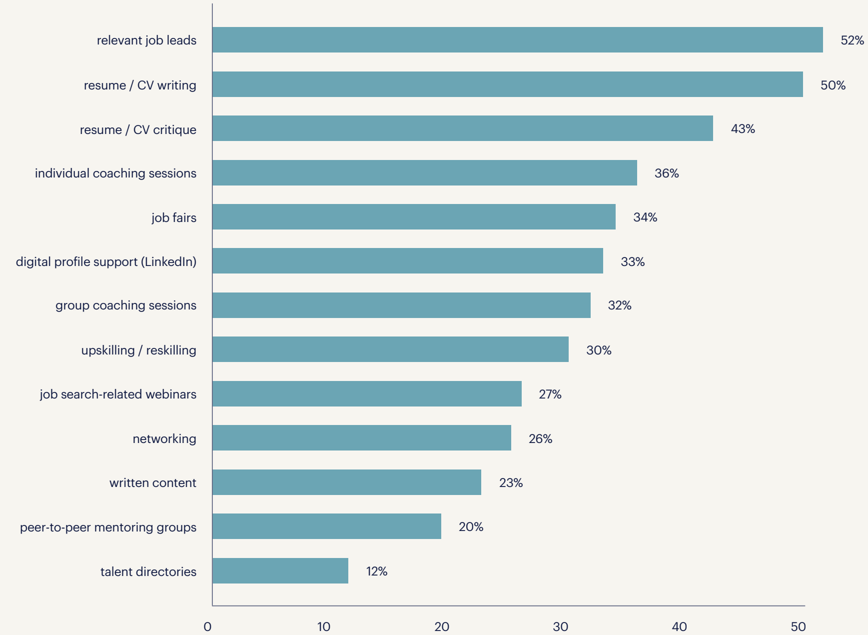
healthcare and life sciences

outplacement

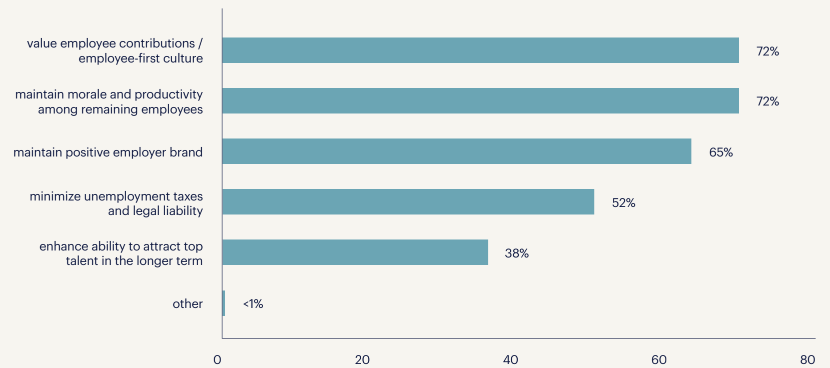
Like most other sectors, job leads (52%) and resume / CV writing (50%) were the most popular outplacement services within healthcare and life sciences.

Employers in this space clearly understand the need to take care of their employees and recognize their contributions – two things that have taken center stage since early 2020. That may help explain why 72% – more than most other industries – said they offered outplacement as a means to recognize workers' contributions, project an employee-first culture, maintain morale and bolster productivity.

which services are available through your outplacement programs?



what are your top three reasons for offering outplacement? (select all that apply)



professional services

In an industry that delivers value through human expertise, it's more important than ever that professional services firms retain their top talent. However, some surprising findings emerged from our survey.

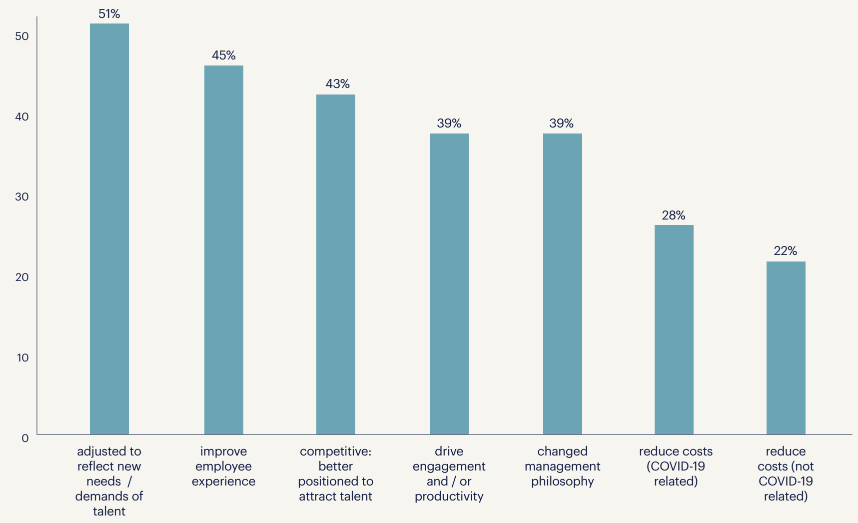
severance

While organizations in most other sectors altered their severance policies to improve the employee experience and increase their appeal in the eyes of top talent, professional services firms made changes for another reason, too: addressing today's changing business needs. This may be a reflection of major shifts in the industry, like AI-based resource optimization and targeted digital transformation, alongside new competitors and the need to offer new and innovative services to clients as the business landscape changes.

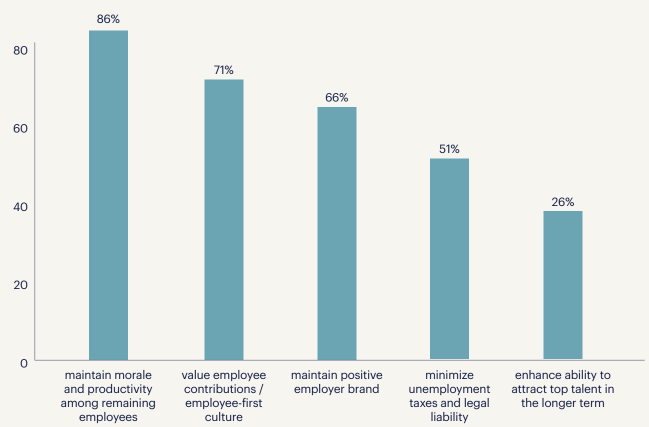
outplacement

This through line extends to outplacement as well. While most other industries reported that maintaining a positive employer brand or showcasing an employee-first culture were their leading reasons for offering outplacement, 86% of professional services firms said maintaining morale and productivity was their primary motivation. This is a departure, but perhaps not a surprising one. In an industry that lives on the billable hour, maximizing productivity is an obvious priority.

why did you make changes to your severance policy? (select all that apply)



what are your top three reasons for offering outplacement? (select all that apply)



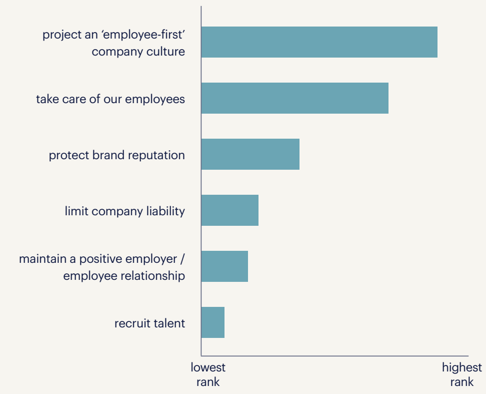
software, IT, electronics and telecommunications

severance

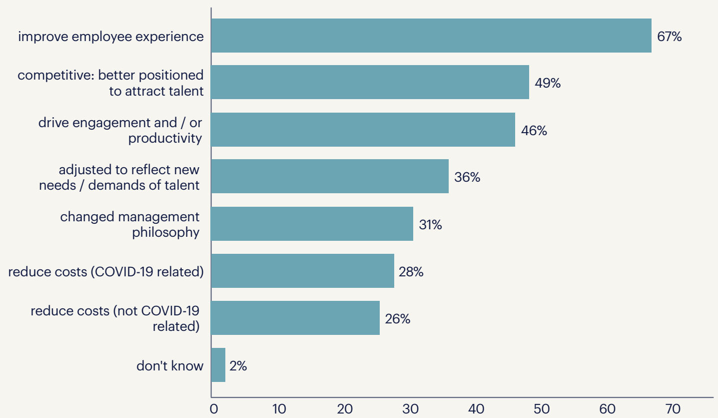
In a competitive sector like the tech industry – where, despite the pandemic, demand for talent continues to outpace supply – companies recognize the value of their employees, even during involuntary separations. So it's not surprising that the reasons for offering severance packages cited by the majority of respondents in this space were projecting an 'employee-first' culture, taking care of employees and protecting brand reputation.

Tech employers are also identifying new opportunities to make severance packages better for displaced employees – and better for their employer brands as well. Of the 38% of respondents who said their companies made changes to their severance plans within the past two years, the top reasons cited were improving the employee experience (67%) and staying competitive to better attract talent (49%).

please arrange the list below in order of importance to reflect the reasons your company offers severance packages to displaced employees.



why did you make changes to your severance policy? (select all that apply)



software, IT, electronics and telecommunications

retention and redeployment

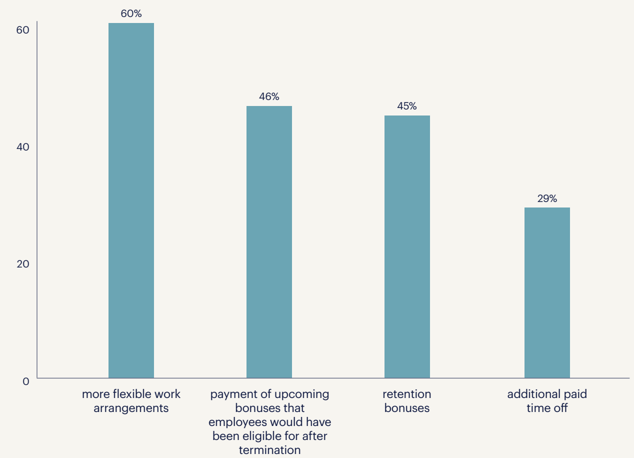
What are the top incentives these businesses are offering to retain employees during a workforce restructuring? More flexibility in working arrangements (60%), payment of bonuses employees would have been eligible for after termination (46%) and retention bonuses (45%) are the top three. These numbers are higher than every other industry in our report, and they seem to show that the tech industry understands the value of retaining top performers.

This industry seems equally bullish when it comes to redeployment. Forty-four percent of respondents rated their redeployments as very effective, something only 34% of respondents across all industries said of the efforts at their companies.

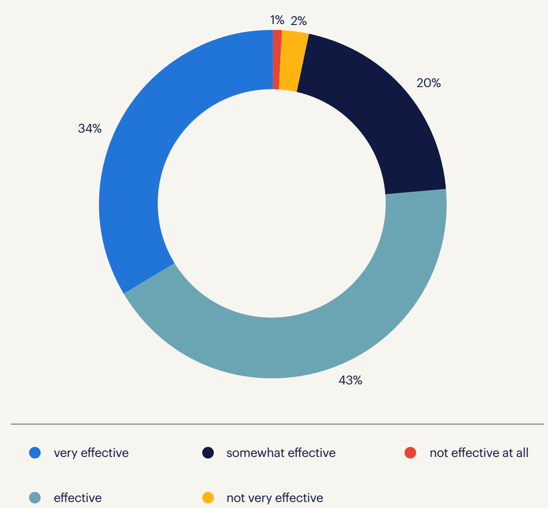
This sector used redeployment in the past two years to maintain agility:

- 61% rapidly redeployed employees to other areas of the organization to address quickly shifting business needs
- 54% shared talent temporarily with outside or partner organizations to address quickly shifting business demands and avoid layoffs
- 42% offered redeployment to employees who expressed a wish to move internally to a new role or department
- 16% offered redeployment prior to an involuntary separation

when considering a layoff, what retention incentives do you employ? (select all that apply)



how would you rate your organization's redeployment programs?



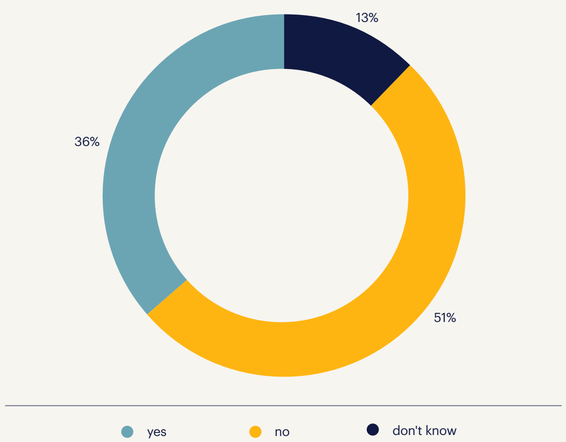
transportation and automotive

severance

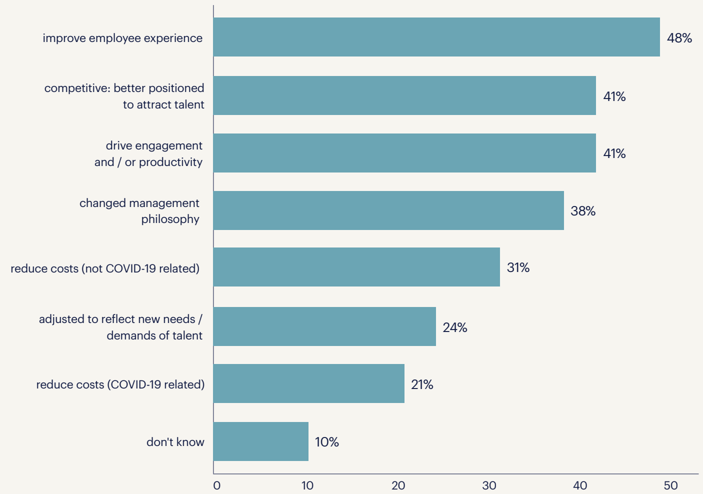
Severance plans are always evolving, but for businesses in the transportation and automotive industries, that evolution is happening at a far more rapid pace. More than 36% of respondents in this arena said their organizations had made changes to their severance plans in the past two years, a notable difference from the 27% of respondents across all industries who said the same. Unfortunately for employees, those changes are largely contractions of many elements of those plans.

Employers in this space are less likely than those across all industries to value talent attraction (41% vs. 47%), improving the employee experience (48% vs. 59%) or meeting the new needs and demands of their talent (24% vs. 38%) as important. Against that backdrop, transportation and automotive companies are focusing more than employers in all industries on making changes due to cost reductions not related to COVID-19 (31% vs. 26%) and changes in 'management philosophy' (38% vs. 31%).

did you make changes to your severance plans in the past two years?



why did you make changes to your severance policy?
(select all that apply)



transportation and automotive

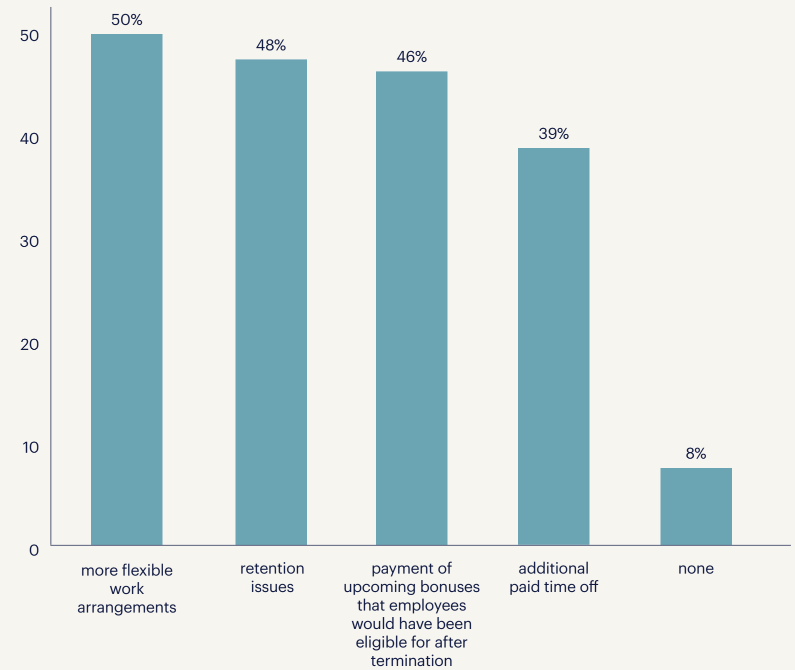
retention and redeployment

Employers in this space are wise to the positive impact retention incentives can have during severance. In fact, only eight percent of respondents in this industry say their organizations offer no retention incentives at all, compared to the 14% in other industries who say the same.

Who are these employers hoping to retain? Given the very specific expertise required of many workers in the transportation and automotive industries, retaining employees with high-demand skills is a priority at 74% of companies (versus 57% in all industries). Nearly 53% are also looking to keep those with leadership potential (versus 40% in all industries) among their ranks.

When it comes to redeployment, employers in the transportation and automotive sector fall in line with most others in that the majority of top performers are likely to be eligible for redeployment (71%). Those with in-demand skills (62%) are somewhat likelier to be targeted for redeployment compared with other industries (58%). Across all industries, 57% say key contributors are eligible, but in this space, that number drops to just 42%, placing these workers last in terms of eligibility.

when considering a layoff, what retention incentives do you employ? (select all that apply)



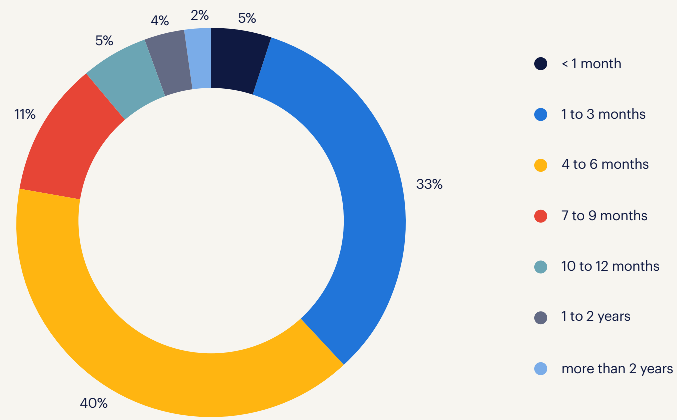
wholesale/retail and consumer packaged goods

severance

Employers in the wholesale/retail and CPG space are notably generous when it comes to severance eligibility. In fact, respondents showed that these organizations are 3.5x more likely than those in other industries to offer severance to employees with less than a year of service under their belts.

When it comes to the months of salary offered to employees during severance, employers in this space are again more willing to spend than most: 78% of organizations offer between one and six months' salary, compared to just over 65% of businesses in all other industries. Of particular note here is that nearly 40% of wholesale/retail and CPG employers typically offer four to six months of salary – the most popular answer for this industry – which only 31% of employers in all other industries offer.

how many months of salary is typically offered to employees as part of severance?



wholesale/retail and consumer packaged goods

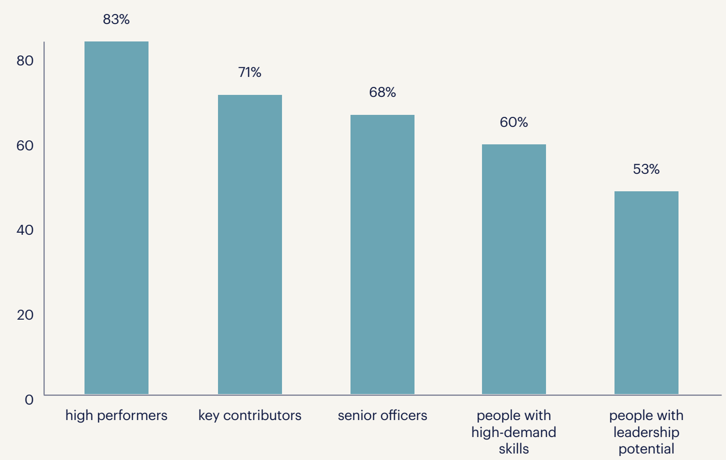
retention and redeployment

Like all other industries, organizations in the wholesale/retail and CPG space are looking to hold on to their high performers, senior officers and key contributors. But most notably, 53% of employers here want to retain people with leadership potential, compared to only 40% of respondents in all industries.

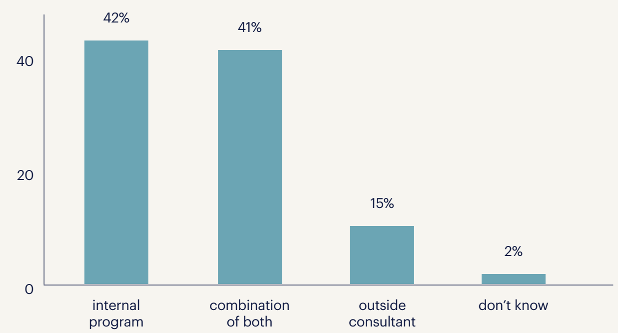
This could be a sign of businesses reacting to the monumental growth in the e-commerce space over the past year – and the continued growth they expect to see moving forward. They know they may need seasoned leaders to keep their operations strong.

When it comes to redeployment, employers in this sector were among the most likely to leverage outside consultants in at least some capacity. Fifty-six percent either run their redeployment programs exclusively through an external consultant or use a hybrid approach. But these employers, like those in almost every other sector, fall very much in line with overall averages when it comes to who is eligible for redeployment. As expected, high performers were the top target for redeployment (72%), followed by key contributors (70%) and senior officers (64%).

who do you hope to retain by offering retention incentives during a layoff? (select all that apply)



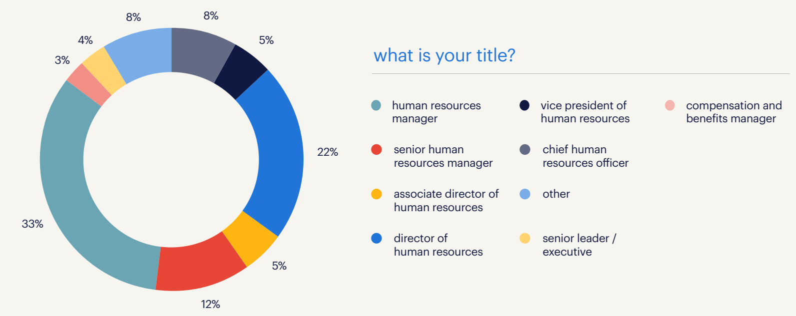
is your redeployment program run internally or through an outside consultant?



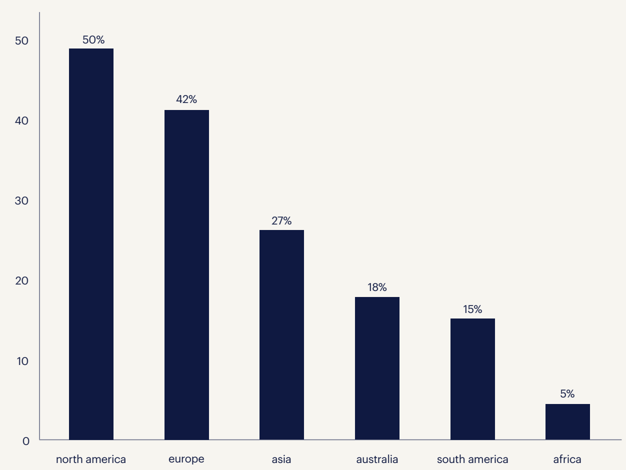
participant profiles

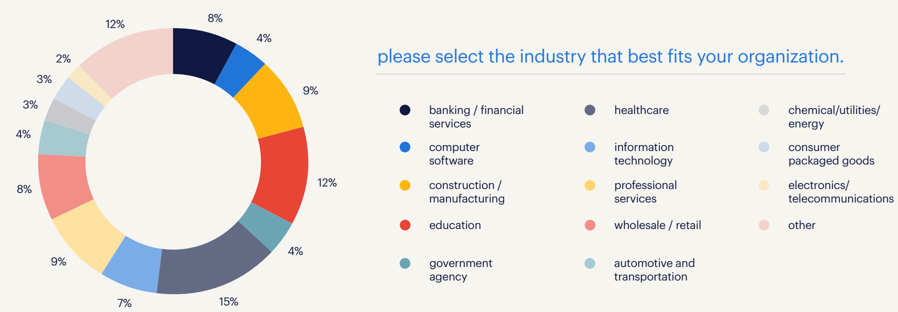
randstad risesmart | participant profiles

Our 2021 survey attracted responses from 1,964 HR leaders from eight countries and more than 18 industries. Of those respondents, 58% represent Fortune-ranked organizations and 35% were at the director level or above.



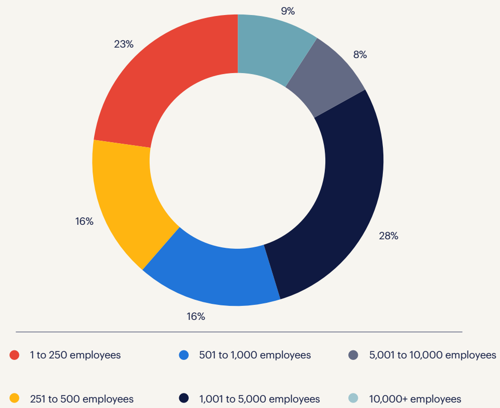
please indicate in which regions your workforce is located.



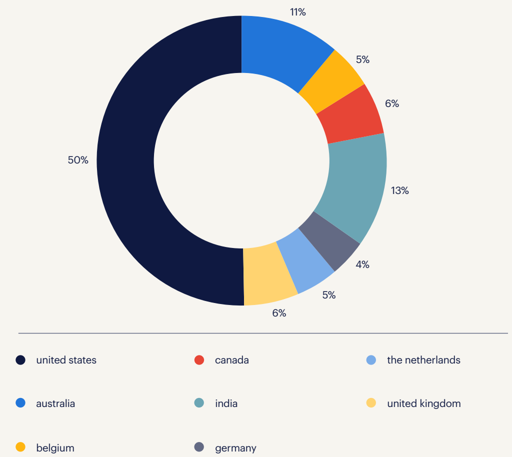


randstad risesmart | participant profiles

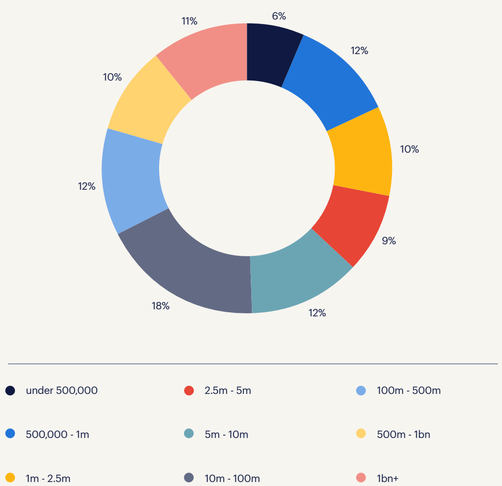
number of employees.



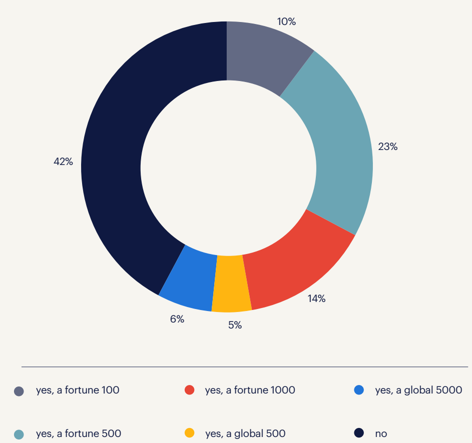
please indicate in which country you are located.



approximate revenue in 2019. (USD)



is your company fortune ranked? (select the best fit)



industries with the most respondents

1 healthcare

2 education

3 construction and manufacturing

4 professional services

5 banking and financial services

33% of organizations have revenues of $100 million or more

13% of respondents are VP of human resources or above

45% of organizations have 1,000 employees or more

58% of respondents came from fortune-ranked companies

35% of respondents are director-level or above

benchmarking data

benchmarks by industry

which employees are eligible for severance following an involuntary separation?

	All	Some
Automotive	62%	38%
Banking/Financial Services	62%	38%
Chemical/Utilities/Energy	63%	37%
Computer Software	70%	30%
Construction/Manufacturing	65%	35%
Consumer Goods/Packaging	50%	50%
Education	62%	38%
Electronics/Telecommunications	63%	37%
Government Agency	64%	36%
Healthcare	65%	35%
Information Technology	62%	38%
Life Sciences	47%	53%
Media & Entertainment	75%	25%
Travel	67%	33%
Non-Profit	60%	40%
Professional Services	70%	30%
Transportation	73%	27%
Wholesale/Retail	70%	30%
Other	54%	46%

if you only offer severance to some employees, which employees are eligible for severance? (select all that apply)

	Officers & Senior Executives	Managers & Professionals	Administrative/Clerical	Other
Automotive	56%	72%	44%	6%
Banking/Financial Services	69%	84%	44%	5%
Chemical/Utilities/Energy	61%	84%	44%	5%
Computer Software	38%	67%	46%	4%
Construction/Manufacturing	63%	83%	43%	5%
Consumer Goods/Packaging	50%	77%	35%	8%
Education	68%	74%	48%	5%
Electronics/Telecommunications	73%	82%	36%	0%
Government Agency	52%	74%	45%	13%
Healthcare	72%	79%	32%	3%
Information Technology	62%	84%	47%	4%
Life Sciences	56%	89%	33%	0%
Media & Entertainment	80%	60%	40%	20%
Travel	86%	100%	71%	14%
Non-Profit	80%	80%	40%	7%
Professional Services	74%	91%	43%	4%
Transportation	78%	89%	67%	11%
Wholesale/Retail	82%	80%	41%	7%
Other	71%	84%	37%	5%

randstad risesmart | benchmarking data

which of the following benefits are offered to employees upon involuntary separation?

	Retirement benefits	Health benefits continuance or COBRA	Outplacement services	Payment of bonuses for which employee was previously eligible (e.g., commission)	Retirement planning services	Education or retraining	Life insurance	Financial planning	Continuation of stock options	Long-term disability	Short-term disability	Cash payout
Automotive	43%	49%	15%	45%	30%	34%	38%	23%	17%	17%	17%	32%
Banking/Financial Services	52%	51%	37%	49%	31%	26%	28%	29%	13%	16%	14%	32%
Chemical/Utilities/Energy	51%	49%	27%	57%	25%	14%	22%	18%	16%	12%	12%	41%
Computer Software	44%	49%	35%	44%	19%	25%	35%	24%	7%	15%	11%	15%
Construction/Manufacturing	50%	48%	26%	49%	27%	28%	28%	25%	13%	22%	24%	32%
Consumer Goods/Packaging	39%	46%	37%	46%	19%	23%	27%	19%	21%	15%	15%	31%
Education	52%	42%	23%	33%	29%	45%	27%	18%	8%	22%	18%	20%
Electronics/Telecommunications	50%	63%	43%	33%	23%	30%	27%	30%	13%	20%	10%	27%
Government Agency	59%	39%	26%	29%	29%	32%	19%	17%	9%	22%	19%	48%
Healthcare	50%	53%	21%	42%	22%	21%	31%	23%	13%	23%	17%	31%
Information Technology	51%	52%	35%	51%	32%	29%	38%	29%	13%	16%	13%	25%
Life Sciences	47%	59%	24%	59%	18%	24%	41%	12%	18%	24%	18%	29%
Media & Entertainment	40%	65%	55%	35%	20%	15%	45%	20%	20%	25%	10%	30%
Travel	52%	43%	29%	62%	19%	24%	29%	24%	24%	14%	19%	38%
Non-Profit	49%	38%	30%	30%	27%	16%	22%	16%	5%	19%	14%	43%
Professional Services	42%	48%	30%	51%	30%	20%	29%	17%	13%	18%	15%	34%
Transportation	61%	46%	30%	49%	27%	27%	36%	33%	12%	24%	24%	39%
Wholesale/Retail	46%	43%	28%	57%	29%	29%	16%	11%	19%	8%	6%	31%
Other	47%	61%	24%	45%	24%	20%	34%	18%	12%	20%	14%	38%

does your organization currently have programs in place to help employees find and land open internal positions (i.e., redeployment)?

	Yes	No
Automotive	66%	34%
Banking/Financial Services	73%	27%
Chemical/Utilities/Energy	84%	16%
Computer Software	89%	11%
Construction/Manufacturing	76%	24%
Consumer Goods/Packaging	69%	31%
Education	76%	24%
Electronics/Telecommunications	73%	27%
Government Agency	88%	12%
Healthcare	79%	21%
Information Technology	83%	17%
Life Sciences	82%	18%
Media & Entertainment	95%	5%
Travel	57%	43%
Non-Profit	60%	40%
Professional Services	70%	30%
Transportation	73%	27%
Wholesale/Retail	82%	18%
Other	72%	28%

randstad risesmart | benchmarking data

which services do you offer as a part of your redeployment program? (select all that apply)

	Notification of open internal job leads	Resume and personal branding support	Career coaching	Job search-related webinars	Up-to-date written content such as assessments, tips sheets and best practices	Internal career fairs	Peer-to-peer mentoring	Internal networking	Upskilling/ reskilling
Automotive	66%	42%	42%	26%	19%	19%	42%	39%	36%
Banking/Financial Services	55%	42%	56%	28%	33%	30%	33%	39%	33%
Chemical/Utilities/Energy	56%	37%	46%	44%	22%	24%	24%	24%	44%
Computer Software	47%	42%	43%	38%	21%	31%	21%	24%	19%
Construction/Manufacturing	60%	43%	54%	32%	39%	29%	32%	37%	33%
Consumer Goods/Packaging	58%	44%	31%	31%	28%	28%	36%	22%	33%
Education	59%	40%	45%	42%	23%	28%	26%	31%	32%
Electronics/Telecommunications	64%	50%	55%	50%	36%	32%	41%	36%	14%
Government Agency	56%	45%	60%	29%	36%	25%	45%	37%	37%
Healthcare	52%	42%	45%	37%	28%	24%	28%	33%	27%
Information Technology	58%	57%	53%	45%	32%	33%	28%	39%	25%
Life Sciences	43%	43%	71%	36%	7%	36%	14%	64%	36%
Media & Entertainment	53%	53%	26%	32%	32%	21%	21%	37%	37%
Travel	58%	25%	75%	25%	8%	8%	42%	50%	42%
Non-Profit	59%	14%	32%	18%	23%	18%	27%	46%	46%
Professional Services	64%	37%	52%	37%	36%	23%	30%	48%	39%
Transportation	54%	50%	54%	42%	29%	29%	33%	38%	21%
Wholesale/Retail	68%	43%	51%	44%	42%	47%	33%	39%	31%
Other	62%	44%	47%	31%	29%	31%	30%	44%	26%

randstad risesmart | benchmarking data

how would you rate your organization's redeployment programs?

	Very effective	Effective	Somewhat effective	Not very effective	Not effective at all
Automotive	26%	42%	23%	6%	3%
Banking/Financial Services	34%	40%	21%	4%	1%
Chemical/Utilities/Energy	37%	34%	22%	7%	0%
Computer Software	39%	29%	26%	6%	0%
Construction/Manufacturing	29%	46%	23%	2%	0%
Consumer Goods/Packaging	45%	33%	19%	0%	3%
Education	34%	46%	17%	3%	0%
Electronics/Telecommunications	18%	50%	27%	5%	0%
Government Agency	25%	48%	24%	3%	0%
Healthcare	32%	42%	22%	2%	2%
Information Technology	52%	38%	9%	1%	0%
Life Sciences	36%	36%	28%	0%	0%
Media & Entertainment	37%	42%	16%	5%	0%
Travel	33%	42%	0%	17%	8%
Non-Profit	9%	32%	55%	4%	0%
Professional Services	30%	39%	28%	1%	2%
Transportation	33%	46%	17%	0%	4%
Wholesale/Retail	28%	55%	17%	0%	0%
Other	38%	45%	14%	1%	2%

what would help you improve your redeployment program? (select all that apply)

	Partnering with an outside consultant	Effectively matching employees to open positions	Providing resume support	Providing career coaching	Having job search-related webinars	Up-to-date written content such as assessments, tips sheets and best practices	Internal career fairs	Internal networking	Upskilling/ reskilling	Helping employees make decisions to stay or go
Automotive	36%	42%	39%	48%	32%	32%	29%	26%	36%	26%
Banking/Financial Services	36%	53%	30%	40%	22%	23%	27%	27%	27%	15%
Chemical/Utilities/Energy	27%	46%	32%	32%	32%	20%	10%	12%	24%	15%
Computer Software	35%	40%	39%	42%	25%	18%	24%	19%	18%	17%
Construction/Manufacturing	40%	60%	39%	45%	25%	34%	26%	26%	32%	17%
Consumer Goods/Packaging	33%	36%	31%	39%	25%	22%	14%	14%	17%	22%
Education	39%	51%	39%	35%	29%	24%	23%	24%	24%	17%
Electronics/Telecommunications	46%	41%	41%	46%	32%	23%	23%	32%	23%	23%
Government Agency	35%	45%	29%	27%	21%	15%	20%	27%	29%	24%
Healthcare	34%	47%	34%	40%	24%	28%	20%	225	26%	21%
Information Technology	46%	68%	44%	45%	29%	30%	28%	31%	29%	17%
Life Sciences	7%	36%	21%	57%	21%	14%	0%	29%	29%	29%
Media & Entertainment	16%	53%	26%	53%	21%	32%	16%	21%	11%	16%
Travel	17%	67%	67%	25%	50%	17%	25%	42%	33%	25%
Non-Profit	27%	46%	23%	50%	23%	18%	14%	9%	46%	27%
Professional Services	26%	51%	34%	35%	22%	25%	24%	35%	29%	23%
Transportation	29%	46%	38%	33%	21%	25%	25%	17%	13%	25%
Wholesale/Retail	45%	45%	43%	43%	41%	26%	28%	20%	11%	18%
Other	28%	50%	36%	48%	25%	25%	33%	31%	27%	28%

which factors determine the length of time that outplacement services are offered to impacted employees? (select all that apply)

	Job level	Tenure at the company	Legal requirements	Age of employee	Performance criteria	Other factors
Automotive	76%	48%	44%	44%	48%	0%
Banking/Financial Services	51%	64%	45%	42%	30%	3%
Chemical/Utilities/Energy	50%	57%	46%	43%	29%	7%
Computer Software	57%	57%	50%	40%	32%	0%
Construction/Manufacturing	70%	56%	49%	57%	42%	2%
Consumer Goods/Packaging	48%	41%	59%	52%	24%	0%
Education	64%	54%	57%	41%	47%	0%
Electronics/ Telecommunications	74%	53%	53%	37%	32%	0%
Government Agency	76%	70%	52%	39%	30%	0%
Healthcare	68%	58%	44%	49%	45%	<1%
Information Technology	67%	62%	60%	55%	27%	2%
Life Sciences	43%	43%	57%	43%	14%	0%
Media & Entertainment	67%	42%	42%	42%	33%	8%
Travel	67%	33%	67%	67%	17%	0%
Non-Profit	43%	57%	50%	29%	36%	0%
Professional Services	53%	56%	58%	44%	41%	2%
Transportation	87%	53%	47%	40%	33%	0%
Wholesale/Retail	66%	82%	71%	65%	50%	0%
Other	76%	39%	52%	41%	45%	2%

randstad risesmart | benchmarking data

which services are available through your outplacement programs?

	Relevant job leads	Resume writing	Resume critique	Digital profile support (LinkedIn)	Individual career coaching sessions	Group coaching sessions	Job search-related webinars	Up-to-date written content such as assessments, tips sheets and best practices	Job fairs	Peer-to-peer mentoring groups	Networking	Upskilling/ reskilling	Talent directories (to showcase departing talent to external hiring managers and recruiters)
Automotive	64%	52%	48%	40%	44%	44%	44%	28%	36%	20%	44%	36%	16%
Banking/Financial Services	46%	58%	44%	42%	44%	41%	34%	29%	21%	18%	29%	24%	13%
Chemical/Utilities/Energy	46%	50%	46%	46%	43%	46%	43%	25%	36%	25%	32%	18%	21%
Computer Software	44%	55%	40%	39%	32%	40%	44%	23%	26%	16%	32%	23%	13%
Construction/ Manufacturing	44%	49%	43%	38%	45%	42%	27%	27%	24%	26%	30%	30%	20%
Consumer Goods/ Packaging	48%	59%	38%	24%	38%	28%	41%	28%	21%	17%	21%	14%	14%
Education	51%	46%	32%	37%	34%	39%	29%	24%	21%	18%	28%	30%	16%
Electronics/ Telecommunications	63%	63%	63%	68%	32%	26%	32%	21%	32%	11%	26%	11%	11%
Government Agency	61%	79%	58%	27%	42%	46%	42%	30%	27%	27%	52%	30%	18%
Healthcare	53%	49%	43%	33%	36%	32%	27%	22%	34%	21%	27%	31%	12%
Information Technology	59%	59%	47%	50%	38%	38%	37%	27%	26%	22%	27%	25%	10%
Life Sciences	14%	57%	29%	29%	43%	29%	43%	29%	29%	0%	0%	0%	0%
Media & Entertainment	58%	67%	50%	42%	33%	33%	33%	42%	33%	17%	33%	25%	25%
Travel	50%	83%	67%	67%	67%	50%	83%	0%	33%	17%	33%	33%	0%
Non-Profit	50%	64%	57%	36%	57%	36%	14%	29%	43%	14%	43%	43%	29%
Professional Services	57%	52%	42%	44%	40%	41%	42%	35%	34%	26%	38%	42%	21%
Transportation	60%	60%	40%	40%	47%	53%	47%	20%	53%	27%	47%	20%	13%
Wholesale/Retail	38%	50%	40%	47%	47%	41%	41%	38%	50%	27%	25%	16%	4%
Other	64%	61%	41%	36%	40%	42%	34%	33%	39%	25%	51%	28%	21%

benchmarks by company size

which employees are eligible for severance following an involuntary separation?

	All	Some
1 to 250 employees	61%	39%
251 to 500 employees	62%	38%
501 to 1,000 employees	64%	36%
1,001 to 5,000 employees	66%	34%
5,001 to 10,000 employees	63%	37%
10,001+ employees	63%	37%

if you only offer severance to some employees, which employees are eligible for severance? (select all that apply)

	Officers & Senior Executives	Managers & Professionals	Administrative/Clerical	Other
1 to 250 employees	60%	76%	38%	7%
251 to 500 employees	63%	79%	45%	4%
501 to 1,000 employees	66%	84%	32%	1%
1,001 to 5,000 employees	71%	85%	43%	4%
5,001 to 10,000 employees	72%	76%	47%	7%
10,001+ employees	76%	82%	53%	12%

does your organization have a formal, written severance policy?

	Yes, we have a formal written policy	No, we have an informal policy	Don't know
1 to 250 employees	70%	27%	3%
251 to 500 employees	77%	19%	4%
501 to 1,000 employees	78%	20%	2%
1,001 to 5,000 employees	78%	18%	4%
5,001 to 10,000 employees	78%	14%	8%
10,001+ employees	71%	15%	14%

which of the following benefits are offered to employees upon involuntary separation?

	Retirement benefits	Health benefits continuance or COBRA	Outplacement services	Payment of bonuses for which employee was previously eligible (e.g., commission)	Retirement planning services	Education or retraining	Life insurance	Financial planning	Continuation of stock options	Long-term disability	Short-term disability	Cash payout
1 to 250 employees	48%	45%	19%	41%	22%	23%	24%	17%	8%	20%	17%	34%
251 to 500 employees	49%	42%	24%	44%	28%	27%	33%	23%	11%	19%	13%	28%
501 to 1,000 employees	49%	50%	30%	45%	29%	25%	33%	23%	14%	18%	16%	25%
1,001 to 5,000 employees	54%	55%	33%	50%	29%	28%	31%	23%	15%	20%	17%	24%
5,001 to 10,000 employees	41%	47%	31%	41%	26%	35%	25%	23%	17%	19%	13%	36%
10,001+ employees	40%	56%	38%	49%	25%	27%	24%	20%	17%	13%	13%	53%

how many months of salary is typically offered to employees as part of severance?

	< 1 month	1 to 3 months	4 to 6 months	7 to 9 months	10 to 12 months	1 to 2 years	More than 2 years
1 to 250 employees	12%	39%	25%	5%	10%	6%	3%
251 to 500 employees	7%	37%	31%	5%	9%	5%	6%
501 to 1,000 employees	6%	29%	32%	14%	9%	7%	3%
1,001 to 5,000 employees	4%	35%	35%	10%	9%	5%	2%
5,001 to 10,000 employees	6%	26%	38%	11%	8%	8%	3%
10,001+ employees	6%	30%	29%	7%	13%	9%	6%

randstad risesmart | benchmarking data

for employees under the age of 40, how much time is typically given to sign a release of claims or waiver form?

	Less than 7 days	7 days	14 days	21 days	30 days	45 days	60 days	90 days	Other	Does not apply to countries where we operate	Unsure
1 to 250 employees	12%	17%	19%	8%	20%	4%	3%	<2%	<1%	7%	8%
251 to 500 employees	10%	19%	21%	11%	21%	3%	2%	2%	0%	7%	4%
501 to 1,000 employees	8%	13%	22%	15%	25%	5%	4%	4%	0%	3%	1%
1,001 to 5,000 employees	6%	11%	20%	13%	29%	5%	<2%	3%	<1%	5%	6%
5,001 to 10,000 employees	6%	15%	11%	8%	16%	7%	6%	3%	1%	3%	24%
10,001+ employees	9%	12%	17%	4%	13%	7%	3%	4%	0%	3%	28%

for employees over the age of 40, how much time is typically given to sign a release of claims or waiver form?

	Less than 30 days	Between 30-60 days	Between 61-90 days	More than 90 days	Other	Does not apply in countries where we operate	Unsure
1 to 250 employees	33%	36%	9%	5%	1%	7%	9%
251 to 500 employees	34%	42%	7%	4%	1%	7%	5%
501 to 1,000 employees	30%	41%	17%	7%	0%	2%	3%
1,001 to 5,000 employees	29%	39%	15%	5%	1%	5%	6%
5,001 to 10,000 employees	21%	28%	18%	3%	1%	4%	25%
10,001+ employees	26%	27%	7%	8%	1%	3%	28%

what is your title?

	Chief Human Resources Officer	Vice President of Human Resources	Director of Human Resources	Associate Director of Human Resources	Senior Human Resources Manager	Human Resources Manager	Compensation and Benefits Manager	Senior Leader/ Executive	Other
1 to 250 employees	9%	5%	16%	5%	11%	41%	2%	6%	5%
251 to 500 employees	8%	5%	18%	4%	13%	40%	2%	4%	6%
501 to 1,000 employees	9%	3%	25%	7%	13%	33%	3%	2%	5%
1,001 to 5,000 employees	8%	7%	32%	5%	9%	27%	3%	3%	6%
5,001 to 10,000 employees	10%	3%	14%	8%	17%	29%	5%	1%	13%
10,001+ employees	5%	3%	14%	6%	11%	30%	3%	6%	22%

please select the industry that best fits your organization.

	1 to 250 employees	251 to 500 employees	501 to 1,000 employees	1,001 to 5,000 employees	5,001 to 10,000 employees	10,001+ employees
Automotive	2%	3%	3%	2%	4%	2%
Banking/Financial Services	7%	9%	10%	6%	7%	16%
Chemical/Utilities/Energy	2%	3%	4%	2%	1%	5%
Computer Software	3%	5%	5%	5%	2%	3%
Construction/Manufacturing	11%	11%	10%	9%	7%	5%
Consumer Goods/Packaging	2%	2%	3%	2%	8%	4%
Education	18%	14%	10%	9%	12%	2%
Electronics/Telecommunications	1%	1%	1%	2%	2%	2%
Government Agency	3%	4%	3%	5%	3%	7%
Healthcare	15%	13%	16%	12%	18%	18%
Information Technology	4%	6%	11%	9%	7%	5%
Life Sciences	0%	1%	1%	2%	0%	1%
Media & Entertainment	2%	1%	1%	1%	0%	1%
Travel	1%	1%	1%	1%	1%	2%
Non-Profit	3%	2%	1%	1%	1%	1%
Professional Services	12%	11%	7%	9%	3%	5%
Transportation	1%	2%	1%	2%	1%	4%
Wholesale/Retail	4%	4%	4%	11%	17%	10%
Other	9%	7%	8%	10%	6%	7%

number of employees?

1 to 250 employees	23%
251 to 500 employees	16%
501 to 1,000 employees	16%
1,001 to 5,000 employees	28%
5,001 to 10,000 employees	8%
10,001+ employees	9%

is your company Fortune-ranked? (select the best fit)

	Yes, a Fortune 100	Yes, a Fortune 500	Yes, a Fortune 1000	Yes, a Global 500	Yes, a Global 2000	No
1 to 250 employees	14%	14%	6%	3%	2%	61%
251 to 500 employees	13%	25%	11%	5%	5%	41%
501 to 1,000 employees	9%	30%	22%	7%	4%	28%
1,001 to 5,000 employees	5%	22%	21%	5%	10%	37%
5,001 to 10,000 employees	5%	25%	13%	4%	10%	43%
10,001+ employees	18%	28%	9%	4%	8%	33%

which services do you offer as a part of your redeployment program? (select all that apply)

	Notification of open internal job leads	Resume and personal branding support	Career coaching	Job search-related webinars	Up-to-date written content such as assessments, tips sheets and best practices	Internal career fairs	Peer to peer mentoring	Internal networking	Upskilling/ reskilling	Other
1 to 250 employees	59%	34%	42%	30%	28%	20%	27%	34%	35%	1%
251 to 500 employees	60%	40%	49%	34%	32%	32%	30%	34%	30%	0%
501 to 1,000 employees	50%	45%	50%	41%	30%	27%	24%	33%	27%	0%
1,001 to 5,000 employees	57%	48%	52%	43%	33%	35%	30%	35%	25%	<1%
5,001 to 10,000 employees	56%	41%	50%	30%	31%	25%	50%	49%	41%	0%
10,001+ employees	70%	49%	54%	32%	26%	29%	36%	51%	40%	0%

how would you rate your organization's redeployment programs?

	Very effective	Effective	Somewhat effective	Not very effective	Not effective at all
1 to 250 employees	29%	48%	20%	3%	0%
251 to 500 employees	41%	41%	15%	3%	0%
501 to 1,000 employees	36%	36%	25%	2%	1%
1,001 to 5,000 employees	35%	44%	19%	2%	0%
5,001 to 10,000 employees	35%	44%	18%	3%	0%
10,001+ employees	22%	41%	30%	4%	3%

what would help you improve your redeployment program? (select all that apply)

	Partnering with an outside consultant	Effectively matching employees to open positions	Providing resume support	Providing career coaching	Having job search-related webinars	Up-to-date written content such as assessments, tips sheets and best practices	Internal career fairs	Internal networking	Upskilling/reskilling	Helping employees make decisions to stay or go	Other
1 to 250 employees	31%	51%	31%	35%	21%	21%	22%	25%	26%	23%	1%
251 to 500 employees	41%	50%	40%	44%	28%	25%	26%	23%	23%	18%	0%
501 to 1,000 employees	33%	52%	39%	44%	27%	28%	24%	24%	22%	15%	0%
1,001 to 5,000 employees	37%	50%	40%	44%	32%	27%	25%	25%	25%	17%	<1%
5,001 to 10,000 employees	43%	47%	38%	39%	27%	32%	24%	27%	29%	27%	0%
10,001+ employees	28%	53%	26%	31%	20%	24%	20%	30%	33%	28%	3%

which factors determine the length of time that outplacement services are offered to impacted employees? (select all that apply)

	Job level	Tenure at the company	Legal requirements	Age of employee	Performance criteria	Other factors
1 to 250 employees	63%	48%	49%	48%	43%	1%
251 to 500 employees	62%	55%	57%	49%	45%	1%
501 to 1,000 employees	56%	57%	56%	49%	30%	1%
1,001 to 5,000 employees	63%	64%	57%	49%	41%	1%
5,001 to 10,000 employees	76%	58%	47%	42%	38%	0%
10,001+ employees	79%	54%	31%	32%	32%	6%

which services are available through your outplacement programs?

	1 to 250 employees	251 to 500 employees	501 to 1,000 employees	1,001 to 5,000 employees	5,001 to 10,000 employees	10,001+ employees
Relevant job leads	53%	54%	48%	49%	52%	66%
Resume writing	51%	49%	49%	56%	62%	69%
Resume critique	41%	40%	40%	41%	44%	62%
Digital profile support (LinkedIn)	40%	39%	42%	38%	44%	40%
Individual career coaching sessions	35%	38%	37%	44%	35%	49%
Group coaching sessions	32%	34%	39%	45%	34%	47%
Job search–related webinars	29%	32%	31%	39%	40%	40%
Up-to-date written content such as assessments, tips sheets and best practices	22%	24%	28%	31%	28%	38%
Job fairs	25%	32%	30%	32%	30%	30%
Peer-to-peer mentoring groups	20%	23%	22%	20%	27%	22%
Networking	33%	36%	25%	31%	30%	46%
Upskilling/reskilling	35%	30%	20%	26%	23%	32%
Talent directories (to showcase departing talent to external hiring managers and recruiters)	17%	18%	12%	12%	17%	23%
Other	0%	0%	0%	<1%	1%	3%

get in touch

To learn more about how to improve your organization's workforce transition offerings and enhance employer brand, contact us today.

www.randstadrisesmart.com
877.384.0004
hello@randstadrisesmart.com

human forward.

about randstad risesmart

Randstad RiseSmart is the fastest-growing outplacement and career mobility provider, and an operating company of Randstad N.V., a €20.7 billion global provider of flexible work and human resources services that helps nearly two million candidates find meaningful work every year. Our outplacement, career development, redeployment and contemporary tech and touch solutions strengthen employer brands, improve retention and re-engage talent. Employers hire us because we deliver superior outcomes through expert coaching, professional branding, contemporary resources and on-demand analytics. Today, we are a trusted human partner of successful companies in more than 40 industries and deliver services in over 100 countries and 40 languages. Our passion and dedication to innovation, responsiveness and results have earned us extensive recognition and awards from such organizations as Bersin by Deloitte; Gartner, Inc.; Brandon Hall Group; and Fortune magazine. For more information, visit www.randstadrisesmart.com.

randstad risesmart

55 Almaden Blvd, Suite 800, San Jose, California 95113 877.384.0004 ›
RandstadRiseSmart.com › @RiseSmart

1.10_130721_en-US

CERTIFICATE OF SERVICE

I, Robert Elliott Vincent, hereby certify that a copy of the above and foregoing ***Rebuttal Testimony*** was served via electronic service this 22nd day of July, 2024, addressed to:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
jflaherty@andersonbyrd.com

JEFF AUSTIN
AUSTIN LAW P.A.
7111 W. 151st ST.
SUITE 315
OVERLAND PARK, KS 66223
jeff@austinlawpa.com

JOSEPH R. ASTRAB, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Joseph.Astrab@ks.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Todd.Love@ks.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
David.Nickel@ks.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Shonda.Rabb@ks.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Della.Smith@ks.gov

ALEX GOLDBERG, ATTORNEY
EVERSHEDS SUTHERLAND (US) LLP
1196 S MONROE STREET
DENVER, CO 80210
alexgoldberg@eversheds-sutherland.us

ABIGAIL EMERY, PARALEGAL & GRANT SPECIALIST
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Abigail.Emery@ks.gov

BRIAN G. FEDOTIN, GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Brian.Fedotin@ks.gov

CARLY MASENTHIN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Carly.Masenthin@ks.gov

KYLER C. WINEINGER, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Kyler.Wineinger@ks.gov

JANET BUCHANAN, DIRECTOR OF RATES & REGULATORY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH STREET
OVERLAND PARK, KS 66213
janet.buchanan@onegas.com

LORNA EATON, MANAGER OF RATES AND REGULATORY AFFAIRS
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH STREET
OVERLAND PARK, KS 66213
lorna.eaton@onegas.com

ROBERT E. VINCENT, MANAGING ATTORNEY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W. 129TH STREET
OVERLAND PARK, KS 66213
robert.vincent@onegas.com

DON KRATTENMAKER, Vice President
WOODRIVER ENERGY, LLC
633 17th STREET, STE. 1410
DENVER, CO 80202
don.krattenmaker@woodriverenergy.com

/s/ Robert Elliott Vincent
Robert Elliott Vincent KS Bar No. 26028
Managing Attorney
Kansas Gas Service
A Division of ONE Gas, Inc.
7421 West 129th Street
Overland Park, Kansas 66213-5957
Phone: (913) 319-8615
Fax: (913) 319-8622
Email: robert.vincent@onegas.com