

# Workforce Transition and Outplacement

## Calculating Severance for US Employees

RIGHT VIEWPOINT™

Employees laid off in the United States earn the least amount of severance pay worldwide—no matter what level of employee or amount of tenure with the organization.

MELVIN J. SCALES

Right Management's global study on "Severance Practices Around the World" draws on more than 1,500 responses from human resource professionals and senior managers across 28 countries, including 456 from the United States.

US-based employees consistently earn less severance per year of service than colleagues around the world. Top executives earned as little as 2.76 weeks of severance per year of service, compared to a worldwide mean of 3.39 weeks per year of service. The disparity increases as the level of employee decreases.

Mean Weeks of Severance Per Year of Service:

	United States	Worldwide
<b>Voluntarily Separated</b>		
Top Executives	2.76	3.39
Senior Executives	2.23	3.29
Department Heads/Managers	1.55	3.00
Professional/Technical	1.39	2.79
All other employees	1.23	2.65
<b>Involuntarily Separated</b>		
Top Executives	3.04	3.52
Senior Executives	2.49	3.33
Department Heads/Managers	1.78	2.93
Professional/Technical	1.60	2.75
All other employees	1.44	2.59

Understanding how severance practices vary by country is a critical component of an effective global workforce strategy. Severance can be used as a strategic tool to differentiate an organization in the tough war for talent and should be directly aligned with a company's business strategy and brand value. Severance benefits should be consistent with the values and culture an organization espouses.

Regardless of position or level, the top benefits offered tend to be assistance programs (like outplacement and financial planning), continued benefits (such as healthcare and financial compensation), and to a lesser extent, company resources such as an office or a car.

So what are the typical components of a severance benefits package? The table below is an example of a typical benefits package for Top Executives involuntarily separated from an organization. Similar tables are available for Senior Executives, Department Heads/Managers, Professional/Technical, and All Other Employees—for voluntary and involuntary separations.

	United States	Worldwide
<b>Top Executives Eligible for Benefits (N=)</b>	<b>399</b>	<b>1,227</b>
<b>Assistance programs (Net)</b>	<b>82%</b>	<b>71%</b>
Outplacement services	81%	61%
Retirement planning	6%	15%
Financial planning	11%	14%
Retraining	1%	9%
Relocation assistance	2%	9%
Secretarial services	7%	6%
<b>Continued benefits (Net)</b>	<b>83%</b>	<b>57%</b>
Health-related benefits	82%	49%
Monetary benefits	25%	24%
<b>Company resources provided (Net)</b>	<b>15%</b>	<b>18%</b>
None of the above	4%	16%

*Managing borderless workforces in a global economy may increase the provision of releases, as many United States' practices tend to gain global acceptance over time.*

Outplacement services, whether they are individual programs or group workshops, are a staple component of severance packages and are provided to most employees, regardless of level. But companies in the Americas consistently offer continued health benefits more so than in Europe or Asia Pacific. This may be the result of more socialized healthcare programs being available in countries outside of the Americas.

Among other key findings from the study:

- US employers are more likely (68%) to enforce a cap on severance payments than the rest of the world (56%).
- Ninety-six percent of separated employees in the US are required to sign a waiver before they can access severance benefits, reflecting the litigious culture of this country.
- Unlike in other regions, 61% of companies in the US tend to offer severance right away with no minimum tenure required, compared to 42% doing so in the rest of the world.

Companies in the United States lead the way with regard to the practice of waivers and releases—meant to cut down legal claims against employers by separated employees. Countries outside the United States do not require releases as frequently, due at least in part to their cultures not being as litigious and the rights of terminated employees are more defined by statutes and regulations.

Employees who are offered severance benefits in any country should be asked to sign a general release of all claims against their employer—regardless of societal norms. At the very least, it may cut down on the few cases that are brought against employers outside the United States; at best, it pre-empts a pattern of litigation in these areas before it even starts. Managing borderless workforces in a global economy may increase the provision of releases, as many United States' practices tend to gain global acceptance over time.

The concept of severance has changed a lot from the days when it was simply used to provide compensation/benefits for employees whose positions were eliminated. As organizations are challenged to attract and retain the needed talent to compete effectively, separation agreements may not mean a complete separation from the employer, but rather serve as a means to continue the relationship on an as needed basis.

Severance is a complex issue, no matter where in the world you operate. It is an essential responsibility to get right because it has a dramatic impact on the lives of the individuals who have been in your employ or remain in your organization, as well as those who might be attracted to your company in the future.

Right Management engaged International Communications Research to conduct the study in 28 countries between July and September 2008. Of the 1,524 survey responses received, 45% were from the Americas (including 456 from the United States), 34% were from Europe and 21% were from Asia Pacific. A broad cross section of industries was represented. and Transition.

#### **About the Author**

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