

Outplacement Builds Its Value on Engagement

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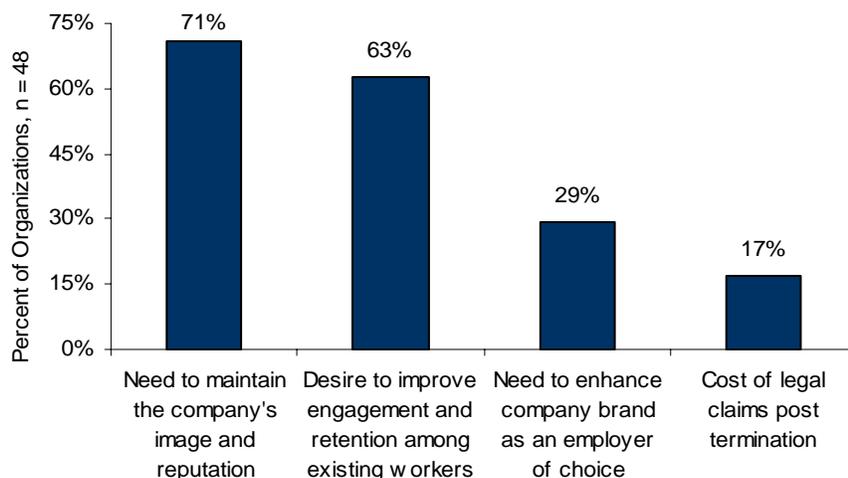
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Outplacement Builds Its Value on Engagement

For years Aberdeen Group's research has shown great emphasis on employee engagement. Most recently, *The 2011 HR Executive's Agenda* benchmark report (December 2010) revealed top-performing organizations in human capital management execution (based on engagement, succession bench, and hiring manager satisfaction) experienced more than twice the engagement scores as bottom-performing organizations (87% versus 41%). Past research also validates how improving employee engagement has a positive impact on revenue and business performance. In fact, Aberdeen's 2009 report on engagement, *Beyond Satisfaction*, showed that top performers (see sidebar on the next page) were not only able to improve customer satisfaction by 22% due to effective engagement strategies, but also were nearly four times more likely than bottom performers to validate (with data) the direct impact of engagement on organizational profitability or revenue growth (27% vs. 7%).

As the focus on engagement continues to rise, so does the importance of ensuring proper outplacement as a means to not ostracize former or existing employees as organizations continue to weather the unpredictable economic landscape. Not surprisingly, data collected in June 2011 as part of the outplacement study showed that one of the top drivers behind these efforts is the desire to improve engagement.

Figure 1: Drivers of Outplacement Initiatives



Note: respondents selected up to two responses
Source: Aberdeen Group, June 2011

Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Definition of Outplacement

√ For the purposes of this study, 'outplacement' is defined as efforts made by a company to help terminated employees through the transition to new jobs and help them re-orientate to the job market. A third party firm usually provides the outplacement services which are paid for by the former employer and are achieved through practical advice and psychological support. Other terms used: off-boarding; transitioning; career transitioning; or career management.

Business Context

Aberdeen's Q2 2011 Quarterly Business Review, which studied over 1,300 organizations worldwide, revealed that on average organizations expect a 13.5% increase in revenue in the next fiscal year while reporting an average 6.2% in anticipated new headcount. This shows that the burden to produce more will continue to fall on the workforce. The same study shows that when it comes to people, organizations are still challenged by a shortage of key skills, making retention a top priority. The need to maintain a positive reputation to the external market and the desire to improve engagement and retention among existing employees overwhelmingly topped the list of drivers of outplacement efforts.

Nonetheless, there still exist some obstacles for further investment in offering outplacement services. When asked about the barriers to investing in outplacement services, it is clear that organizations still deem it as a luxury spend category, and those that don't, are challenged by building the business case for it financially or by gaining senior leadership support. This Research Brief explores the positive impact of having formal outplacement programs on employee engagement. It also shows that these efforts yield gains in hiring and reductions in unemployment claim costs.

Engagement Drives Profitability

Aberdeen's research has consistently shown that engagement drives growth in revenue and profit. Aberdeen's upcoming study, *The Performance / Engagement Equation*, reveals that organizations with formal engagement strategies improved revenue per full-time equivalent two times greater than those with an informal strategy and a whopping six times more than those with no engagement strategy (6% vs. 3% vs. 1%). That same study revealed that on average, Best-in-Class companies indicate that 62% of employees are "highly engaged" based on last survey / measurement - compared to 28% for Laggards.

Indeed, some companies are able to forecast revenue based on change in the engagement metric. For example, Best Buy correlates growth in same store sales to increases in store level engagement scores. Also, Avnet has shown that growth in engagement scores correlates to higher compounded annual growth in shareholder value. This was validated by findings from the July 2009 study, *Beyond Satisfaction: Engaging Employees to Retain Customers*, which showed that on a scale of 1 to 5, Best-in-Class organizations rated engagement 4.54 in terms of how critical it is to the organization's ability to execute business strategy. In fact, 83% of Best-in-Class companies in that study directly attributed positive changes in revenue to improved employee engagement.

The Case for Outplacement

In May and June 2011, Aberdeen conducted a survey on outplacement services to determine the impact of this offering on business performance. In a sample of 73 organizations, Aberdeen found 48 that currently offer or

Defining the Best-in-Class

In the July 2009 study, *Beyond Satisfaction: Engaging Employees to Retain Customers*, Aberdeen used three key performance criteria to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with Best-in-Class achieving the following:

- √ 22% improvement in employee performance
- √ 19% improvement employee referral rates
- √ 73% of employees indicate they are highly engaged

Defining the Best-in-Class

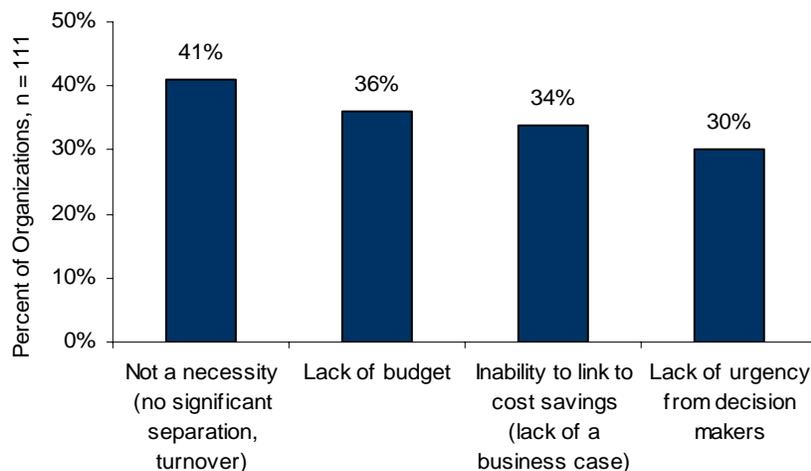
In the July 2011 study, *The Engagement / Performance Equation*, Aberdeen used three key performance criteria to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with Best-in-Class achieving the following:

- √ 71% of employees "exceed expectations" based on most recent performance review
- √ 62% of employees are "highly engaged" based on most recent survey
- √ 11% year-over-year improvement in employee retention

have offered outplacement services – nearly two thirds. When analyzing the data, Aberdeen found that 48% of organizations with formal outplacement programs have greater than 60% of workers that are highly engaged compared to just 33% of those that don't.

However, of the one-third of organizations in that sample that do not offer outplacement services, there appears a clear disconnect between the perceived link of outplacement to any compelling business driver (Figure 2).

Figure 2: Barriers to Investing in Outplacement



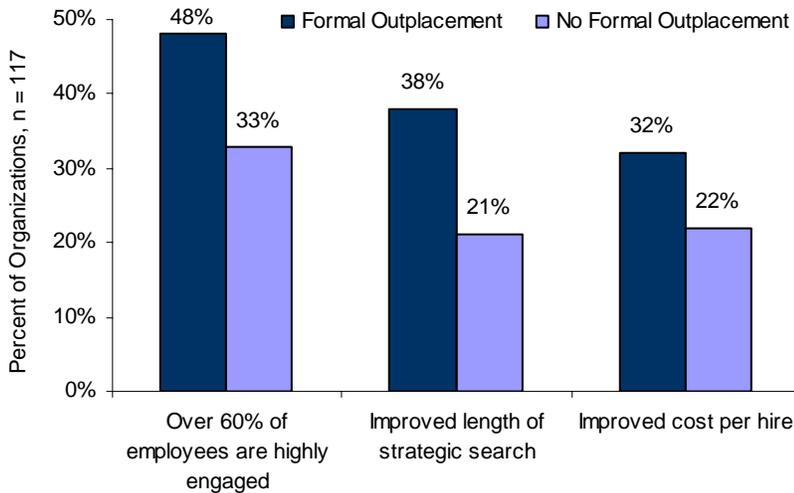
Fast Facts

√ 66% of organizations currently offer or have offered outplacement services to separated employees

Source: Aberdeen Group, June 2011

In order to break some of these barriers, champions may need to prove that outplacement goes beyond just doing the right thing. In addition to engagement, as Figure 3 shows, outplacement drives gains in improving time to fill. Organizations with formal outplacement initiatives are 81% more likely to shorten the length of strategic search, defined in the survey as the time to fill open requisition for key positions. In fact, they are two and half times as likely as those without outplacement programs to indicate that this metric improved by 10% or more (15% versus 6%). Not surprisingly, with the faster rate of filling vacancies, these organizations are nearly 50% more likely to reduce cost per hire. This shows that these programs provide an advantage by maintaining or enhancing the company's reputation in the talent market (a need cited by 29% of companies as a key driver in Figure 1), and by allowing companies to keep positive communications with terminated employees that might later become qualified candidates for new vacancies.

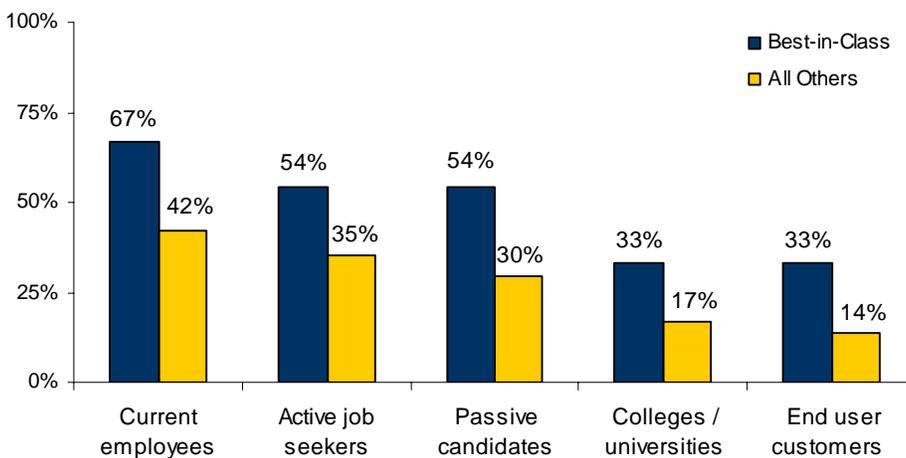
Figure 3: Outplacement Drives Value



Source: Aberdeen Group, June 2011

Additionally, increased engagement also drives employee referrals, which Aberdeen found to be the most effective source of quality candidates. In fact, Aberdeen's April 2009 study on *Employer Branding* showed that Best-in-Class organizations understand that the company's reputation as an attractive employer must start from within the company. These top performers are nearly 60% more likely than their counterparts to indicate that branding efforts are focused on existing employees (Figure 4).

Figure 4: Primary Targets of Employer Branding Efforts

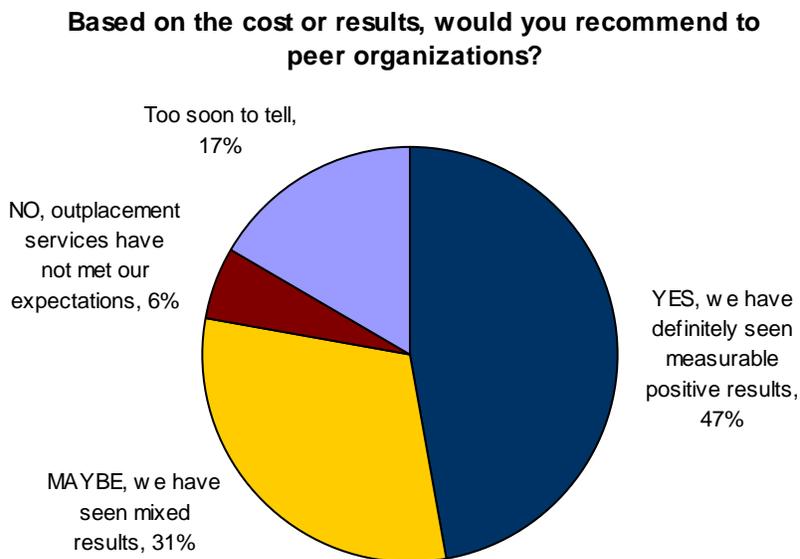


n = 303 Source: Aberdeen Group, April 2009

Quantitative analysis also showed that outplacement programs do reduce the cost of unemployment claims. Organizations offering these services reported an average \$3,690 per claim versus \$3,868 for those not offering

outplacement services - 5% savings. In short, offering outplacement is more than 'simply the right thing to do' as it does lead to measurable gains for the organization offering this service. Naturally, nearly half the organizations that utilize them positively recommend outplacement services to peers (Figure 5).

Figure 5: Organizations Value Outplacement Services



"For us, outplacement is simply the right thing to do to assist the employee, and to let remaining employees know that we do our best to take care of our people."

~ Senior VP of HR, US-based Trade Association

Source: Aberdeen Group, June 2011

Aberdeen Insights — Strategy

The data shows when it comes to separation, almost all organizations (95%) with outplacement programs conduct exit interviews. This is a necessary step that helps keep relationships open with past employees and increases the chances of future referrals. This is supported by Aberdeen's research on *Employer Branding* wherein 87% of top performing organizations indicated they had in place a "process for exit interviews with employees voluntarily leaving the organization" as compared to only 68% of bottom performing organizations. In addition, in an event of a group separation, nearly eight in 10 companies conduct post-event engagement satisfaction surveys to obtain feedback from the remaining workforce - talent that has been identified as instrumental to meet business objectives. Not only is this critical to gauge employee alignment with the company vision, but also shows that their voices will continue to be heard.

continued

Aberdeen Insights — Strategy

Lastly, 58% of organizations maintain a database of alumni, which expands a talent pipeline. After all, no organization knows a candidate better than former employer.

Figure 6: Key Capabilities in Managing Outplacement



Source: Aberdeen Group, June 2011

In an event of a group separation, organizations must work with providers to plan the process and manage projects accordingly. In many cases, companies might be undergoing group layoffs for the first time. This is where expertise and experience adds value. In some situations, this process might be phased out in stages to ensure sustainability. Compliance and documentation is necessarily to help minimize the risk of litigation and ensure adherence to employment laws or collective labor contracts. Lastly, 64% of companies track the utilization of outplacement programs by the employees post separation. This step enables the company to see which services yield the best value to the employee based on usage, frequency, and length of time in order to continuously improve the service provided.

Outplacement and the Individual

In the survey, Aberdeen had a set of questions intended to gauge the perspective and perception of individuals who have gone through an outplacement program. Aberdeen found that by a ratio of more than 3 to 1. More than three-quarters of participants gave it an 'effective' or 'very effective' rating. This is not surprising given that 72% were placed within six months of separation.

Table I: Outplacement Services by Level

Level of Individual	Percent of companies that have offered outplacement	Average duration (in months)	Average cost to the organization (US dollars)
Executives (VPs or above)	66%	9.77	\$6841
Managers (Managers / Directors)	63%	6.98	\$3875
Salaried employees	63%	5.28	\$2902
Hourly employees	44%	5.15	\$1417

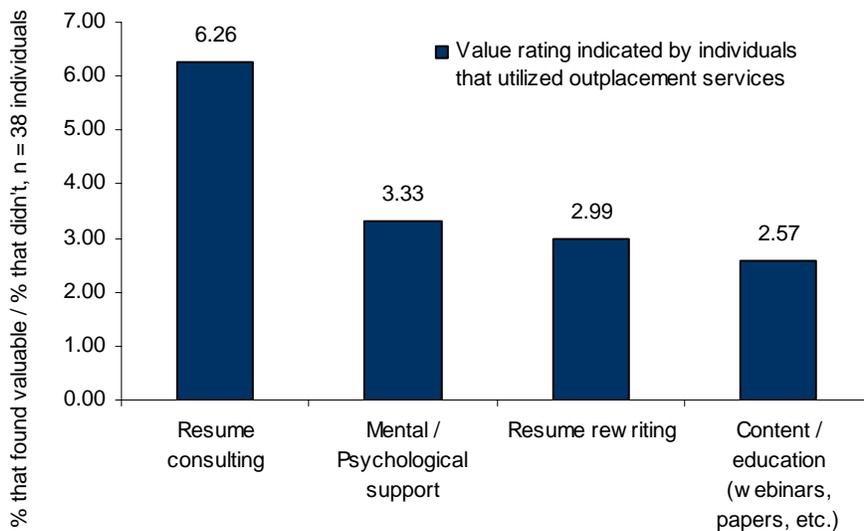
n = 48 Source: Aberdeen Group, June 2011

As shown in Table I, the more senior the individual, the longer outplacement services are made available; a logical finding since there is normally fewer executive and managerial vacancies especially if/when organizations have downsized. Higher levels also command comparatively higher premiums based on the services and the length of program due to the difficulty involved in their transition. Moreover, it is important to note that outplacement is not primarily reserved for executives; perhaps an indication that organizations understand that employee engagement is equally important at all levels of talent. Follow up conversations revealed that it's not uncommon for one organization to use multiple providers depending on the strength of their offering to each level.

Fast Facts

- ✓ 8.43:1 = ratio of organizations that recommend outplacement services to peers based on cost and benefits
- ✓ 3.15:1 = ratio of individuals that had a positive outplacement experience

Figure 7: Elements Found Most Valuable by Individuals



Source: Aberdeen Group, June 2011

In terms of the services that participants cited as most valuable (Figure 7), resume services were perceived as most valuable followed by emotional support and education. Follow-up conversations revealed that most individuals take advantage of these services for two main reasons. First, with the influx of candidates in the recruitment marketing, resumes must be differentiated, which led them to seek advice on which skill areas to emphasize given the rapid change in the talent market. Secondly, with the advent of recruiting tools and the evolution of ways to reach candidates, a majority felt that education on who to network and where to invest time and activity is necessary.

Aberdeen Insights — Technology

While cost and the ability to place separated employees quickly are the top two criteria taken into consideration when evaluating outsourcing providers, the ability to support employees across multiple states and provide virtual support are indeed considered by nearly one third of companies (29%). Given the elements deemed most valuable by individuals in Figure 6, the emergence of providers that emphasize web-based delivery makes sense. However, since support and counseling remain high on the list, the ability to supplement web-based delivery with call support is instrumental for these low cost providers to prove value.

Case in Point

Take the case of this large global financial services organization. In 2008, the organization implemented a formal outplacement program in anticipation of restructuring efforts due to the economic conditions. The primary objectives were to maintain the company image externally, and improve morale among remaining workers.

As expected, the organization began to restructure to adapt to the macroeconomic climate. The outplacement program was centralized across the company to ensure consistent messaging and standard processes during downsizing. The provider worked with the company to ensure proper rollout, implement best practices in notification, and identify opportunity for redeployment. According to the director of HR who originally established the program, "Our primary goal was to treat our employees with dignity and respect upon leaving the organization." The company also conducted exit interviews with all employees as well as post-event surveys to determine engagement and satisfaction levels among existing employees. This is a key step that helps align individuals to company goals, a necessary element when a company's focus shifts from growth to survival.

From 2008 to 2010, the company's headcount was reduced by more than a third due to layoffs or selling off subsidiaries. However, engagement levels remained above average. The company reported just over 50% of employees are 'highly engaged' – significantly above the 35% of Industry Average – identified in the July 2011 study, *The Engagement / Performance*

"Our primary goal was to treat our employees with dignity and respect upon leaving the organization."

~ Director of HR, US-based
Global Financial Company

Equation. She concluded, “At a very high level, the program was well-received by management and employees during a very tough time for our company.” As a result, the organization has retained the outplacement service and currently offers it to employees even when termination is not an event-driven group layoff.

Conclusion

As organizations emerge from the economic turmoil of the last three years, employee engagement remains a key focus. This research on outplacement suggests that companies offering these services are not only enhancing their image and reputation, but are also reaping huge gains in engagement, recruitment cycle, cost per hire, and even unemployment claims. Organizations that have provided these services to separated employees are eight times as likely to recommend outplacement to peers. The service offering indeed plays a role in branding an employer and improving referrals. As for individuals that have utilized outplacement services, resume consulting, education, and support are deemed most valuable. Lastly, given that 72% of individuals are placed within six months of termination, it's no surprise that 76% give their outplacement experience a favorable opinion.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*Onboarding 2011: The Path to Productivity*](#); February 2011

[*The 2011 HR Executive's Agenda*](#); December 2010

[*Beyond Satisfaction: Engaging Employees to Retain Customers*](#); July 2009

[*Employer Branding*](#); April 2009

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