

Nonprofit Downsizing The Unhappy Event

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Whether you call it a “layoff” or a “reduction in force,” few management challenges are as difficult as cutting employees’ jobs. This situation is made doubly difficult by the high level of dedication felt by employees who work for nonprofits.

If your nonprofit is faced with making job cuts, it is critical to get good counsel, plan the process, and articulate a clear message to all concerned. These steps will not make a layoff easy, but they can minimize damage and maximize the likelihood of a solid recovery.

CRAFTING THE PROCESS

The time to begin planning for a reduction in force (RIF) is before it becomes clear that layoffs are necessary. An effective leader anticipates a range of scenarios and creates a range of responses. Key elements to consider include:

- Legal issues, such as your personnel policies and labor contracts
- Practical issues, such as criteria for cutting jobs and timing
- Leadership and management issues, such as the transfer of workload
- Cost issues like legal counsel and outplacement services
- Severance and benefit packages
- Communication issues

Legal Issues

Early in your planning process, contact legal counsel experienced in your state’s employment law. Remember the truism: “You can’t un-ring a bell.” There are a range

THIS ARTICLE IS WRITTEN FOR THE NONPROFIT LEADER CONTEMPLATING THE PROSPECT OF LAYOFFS. IT DESCRIBES SOME OF THE CRITICAL ISSUES AND CONCERNS YOU WILL HAVE TO FACE.

of legal issues that you may encounter, including claims of discrimination, disparate impact, and violation of existing labor contracts. Review your personnel policies and any collective bargaining agreements with counsel.

Tell your attorney how similar situations in your organization have been dealt with in the past, searching for possible precedents. Know, too, that how you deal with the current situation may set a precedent for the future.

For example, a single layoff may lead you to feel you can afford to offer generous severance benefits to the departing employee. This decision can set a precedent that could bankrupt the organization, if many layoffs become necessary in the future.

Practical Issues

Complex and varied questions require answers. For example, if you were faced with the decision to cut your staffing costs by 20 percent, where would you start? Here are critical questions to consider:

- What criteria will you use to decide which positions you will close?
- Should you cut across the board, from every employee’s time and pay?
- Will you set savings goals by department, function, or upon the perceived value of different staff members?
- When will the announcements be made, and how will staff be informed?
- Who will construct and deliver the internal and external messages?
- What is the role of the board in this difficult process?

Leadership and Managerial Issues

During this process, your organization must continue to do its important work. Issues of staff morale and workload transfer must be among your concerns. The quintessential time for your leadership to show itself is during a major organizational transition. You must instill a sense of confidence in staff, board members, and the larger community of the organization's capacity to manage the crisis with integrity.

This is also a time to listen. Express compassion and empathy, listen to everyone's real concerns and anxieties. In times like this, leaders inspire confidence with their kindness, humility, and concern. This is your time to shine.

Recognize that this is an extraordinarily stressful time for leaders, as well as employees. Be prepared to be misunderstood at every turn. Find pockets of support, and do not let your self-care (exercise, meditation, hobbies, family time) go by the wayside.

If you have not thought through all cost-saving options, others will likely present ideas to you. You may hear ideas such as, eliminate all travel, or let people do job sharing, or write a new grant. Avoid being cornered by board members, staff, or constituents with unworkable ideas that you have not yet analyzed. Instead, identify various options and their costs—before others bring them to you.

Cost Issues

Normally, layoffs occur because you are unable to afford existing staffing levels. However, the cost of layoffs itself can be quite high. Do not underestimate the cost of undergoing a reduction in force. Typical costs include:

- Legal counsel (up front advice and, potentially, defending a lawsuit)
- Severance pay
- Pay out of accumulated vacation time or paid time off (PTO)
- Reorganization efforts
- Communication efforts
- Outplacement services for laid-off staff.

Be prepared to include the costs of the reduction in force in your budget plans when thinking about how many individuals you need to lay off. It is

extraordinarily demoralizing to undergo a painful round of layoffs only to discover you need to cut further, due to poor planning about the real net savings after costs of the first layoff.

Severance

Start with the primary purposes of severance: 1) to provide a laid-off employee with a bridge and cushion during a time of unemployment, and 2) to acknowledge and reward an employee's years of faithful service.

There are several ways to calculate severance:

1. **One Package Fits All:** X numbers of months of severance for each employee laid off, regardless of years of service. Typically, the length of severance ranges from one to six months of salary.
2. **Rewarding Longevity:** X number of weeks or months of severance for every year of service.
3. **Tiered Payouts:** Varying amounts of severance based on longevity. For example:

Less than 1 year receives	2 weeks salary
Over 1 but less than 5 years	1 month salary
Over 5 but less than 10 years	2 months salary
Over 10 but less than 20 years	3 months salary
20 or more years of service	4 months salary

You need to consider if you will continue to pay for health insurance for a period of time or if severance payments will be eligible for retirement match contributions. Also, departing employee must receive COBRA (the Comprehensive Omnibus Budget Reconciliation Act) paperwork as part of his or her exit process.

Communications Issues

Communication about layoffs will require as much time and energy as any other issue you face. Multiple constituencies and stakeholders need to hear your message in different ways. Internally, staff and managers need to know the realities of the situation. Funders need to know the decisions you are making, your reasoning, and any expected impact on services they are purchasing or supporting.

Leading the survivors

Often, leaders are so relieved to get through the lay-off experience that they neglect workers who are still employed. Remember, remaining employees are also

victims of a layoff. It is essential that your remaining staff rebuild their confidence, regain a sense of security, and recover their pre-layoff productivity. You need to send a consistent message that jobs are both safe and essential. Otherwise, your most valuable employees may head for the exits.

Rebuilding staff confidence will be much harder to do if you manage layoffs in successive rounds. This approach is often intended to spare suffering for as long as possible, but it is the “death of a thousand cuts.”

DOS AND DON'TS

Do

- Monitor budgets and costs closely and anticipate shortfalls accurately
- Create a plan of action that integrates all considerations discussed above
- Be credible—be sure your words and actions match
- Anticipate unintended consequences—be aware of the impact of your actions
- Consult with legal counsel early and before you take any actions
- Tell the truth, always and to everyone
- Realize this process will take time, emotional energy, and money
- Create an atmosphere of empathy and hope

Don't

- Be absent during this time of need (avoid facing the issues head on)
- Tell different versions of the story to different stakeholders
- Hide the truth
- Draw the process out any longer than necessary
- Provide false hope where no reason for hope exists
- Assume that employees' reactions will be the same as yours
- Use platitudes, such as, “Work smarter, not harder.”

CONCLUSION

People are any organization's most valuable asset. This is doubly true in the values-driven nonprofit sector. Never forget that your people are...well, people. Nothing will stretch you as a leader like having to steer an organization through economic difficulties. Compassion, clarity of purpose, and skill will get you and your organization through trying times. ■

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