Task Force on the Future of the Canadian Financial Services Sector

Corporate Restructuring: Workforce Adjustment Strategies

by
The Conference Board of Canada

September 1998

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The views expressed in these research papers
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Overview

Downsizing, mergers and restructuring are a reality of today's business environment. As protectionist trade barriers have fallen, Canadian organizations have been increasingly required to reposition themselves to meet the challenges of the global marketplace. In the home market, deregulation, increased competition as well as technological changes have required organizations to become more efficient and effective. As a result of these market pressures, it is inevitable that organizations analyze and redesign all aspects of their business to remain competitive.

As part of this process, organizations are downsizing at an unprecedented scale, and merger and acquisition activity remains high.[1] Although there may be benefits to downsizing or mergers on paper, they are not easily translated into understanding or acceptance in the human dimension where once loyal employees must come to terms with being unemployed.

In such an environment, all stakeholders including corporations, displaced employees, surviving employees, communities, NGO's and government agencies have a vested interest in determining which practices best mitigate the impact of downsizing overall and, in the context of this report, the impact of job losses. Although generally viewed as a traumatic, negative event, positive outcomes can and do occur as a result of downsizing. Through careful assessment, managers learn that they have strong entrepreneurial talent, technicians may go into consulting and others no longer have an excuse not to go back to school.[2] Often, these new opportunities are made possible through employer provided skills training, redeployment, or generous severance packages.

The purpose of this report is to outline "best practices" in dealing with job losses as a result of restructuring. The report begins with an overview of the changing employment contract and the restructuring that accompanies it, while presenting best practices to minimize the impact on those employees affected or at risk of being affected. These practices are clustered around voluntary and involuntary strategies to bring about staff reductions. The report also highlights case studies of three organizations with downsizing experience.

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[1] Members Briefing, *Corporate Restructuring: Lessons Learned*; The Conference Board of Canada, May 1997.

[2] *Lessons Learned: When Canadian Organizations Downsize,* Right Associates, 1993.

Key Findings

- Downsizing occurs across all sectors.
- There are no universal solutions to successfully merge and downsize. Organizations must develop programs that address the concerns of all stakeholders.
- Clear communication with employees is critical to the success of any restructuring exercise.
- Employees should be given the freedom to make informed decisions that best suit their needs. To this end, access to reliable information is necessary.
- Organizations across all industries mitigate the impact of downsizing through the implementation of voluntary programs prior to involuntary terminations.
- The presence of a collective agreement requires additional consultation with the representative union prior to implementing staff reduction strategies, however the methods used to accomplish objectives are similar regardless of the presence of unions.

The New Employment Contract

At the macro level, the old employment contract is no longer practical or feasible.[3] Employers can not guarantee employment for life, and individuals must accept responsibility for their own careers. To accomplish this, the new employment contract requires that individuals possess the right skills at the right time to take advantage of opportunities either within an organization, or on the open employment market (see Exhibit 1). As a result, those individuals who possess skills that are in demand are better equipped to make the transition between organizations.

Exhibit 1: The Changing Employment Contract

Old Employment Contract	New Employment Contract
➢ Employment relationship is *long term*	➢ Employment relationship is *situational*
➢ Reward for performance is *promotion*	➢ Reward for performance is *acknowledgment of contribution and relevance*
➢ Management is *paternalistic*	➢ Management is *empowering*
➢ Loyalty means *remaining with the organization*	➢ Loyalty means *responsibility and good work*
➢ *Lifetime career* is offered	➢ *Explicit job contracting* is offered

Source: Adapted from Noer, David; *Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing Downsized Organizations*; 1993.

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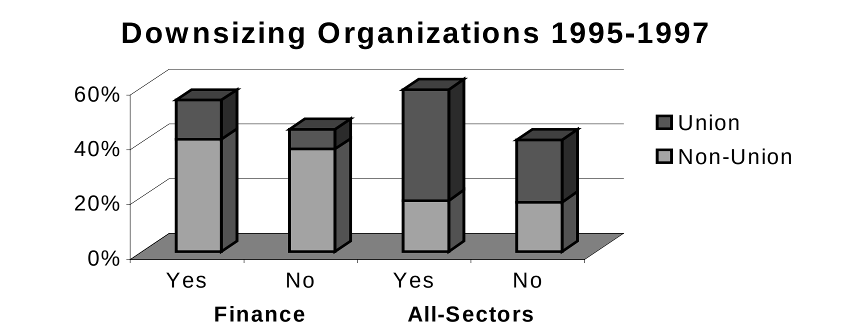
3 Noer, David; *Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing Downsized Organizations*; 1993.

The implication is that lower skilled employees, or those employees who possess skills for which there is a surplus in the market, are more susceptible to the impact of downsizing. Supporting evidence can be drawn from the recently merged Chase Manhattan and Chemical banks as they announced that the new Chase would be cutting 12,000 of its 75,000 employees mostly through rationalizing branches. About half the employees at a typical American bank branch are now minimally trained part-timers.[4]

Downsizing in Canada and in the Financial Sector

During one study covering a two year period, a majority of Canadian organizations had undergone downsizing[5] (see Chart 1). During the same period, the financial services sector experienced downsizing at a rate similar to that reported by all industries.

Chart 1



Source: Compensation Planning Outlook 1997, The Conference Board of Canada

Through this study, it is evident that downsizing cuts equally across all industries and sectors and is independent of the degree of unionization. The downsizing trend within the Financial Services sector itself is expected to continue, and in fact may increase, given the recent bank merger announcements.

It is also interesting to note that any job losses will be taking place in a period when there is some indication that organizational demand for contingent and part-time employment arrangements is increasing[6] (see Chart 2).

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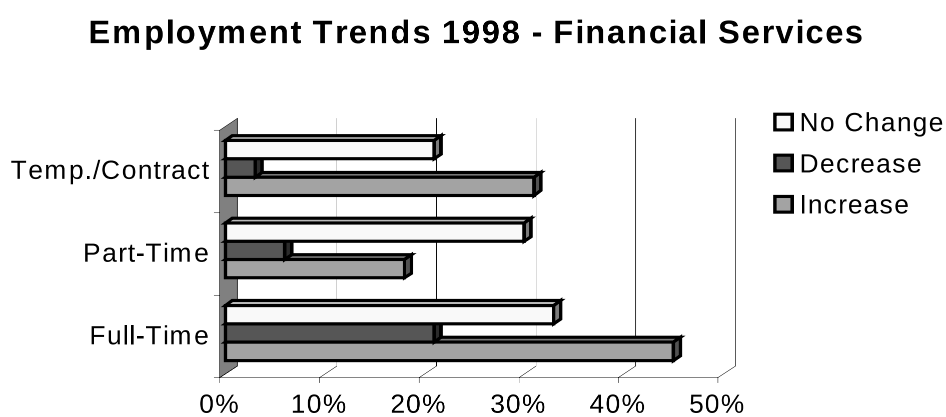
4 *Finding the Right Chemistry*; The Economist, Vol. 336 Issue 7930 p. 67, September 1997.

5 Compensation Planning Outlook 1997 was a survey of 345 organizations conducted by The Conference Board of Canada. Fifty-six respondents operated within the Financial Services and Real Estate sectors.

6 Compensation Planning Outlook 1998 was a survey of 365 organizations conducted by The Conference Board of Canada. Fifty-eight respondents operated within the Financial Services and Real Estate sectors.

Chart 2



Source: Compensation Planning Outlook 1998, The Conference Board of Canada

Elements of Successful Restructuring

The decision to downsize following a merger or as a result of financial necessity requires an organization to redefine itself through the creation of a new vision. Any plans developed to support the vision must be based on clear business imperatives. Once the new business is defined, a restructuring company must examine the current workforce composition of skills, knowledge, and abilities and determine future requirements. Inevitably, these future demands rarely match the current supply. This creates a need to pursue actions which correct the imbalance, while ensuring that scarce resources are efficiently distributed. Any planning should be aligned during all phases with four key factors for success: a clear vision of the organization's future, supported by careful analysis and planning; respect and fairness in dealings with employees; significant efforts to eliminate work and align the organization around new strategic directions; and an almost obsessive concern with communications.[7] To this end there are four basic approaches that a downsizing company can pursue to realign both human and capital resources (see Exhibit 2). By combining these approaches into a cohesive downsizing program, an organization is more likely to achieve the established short and long-range objectives.

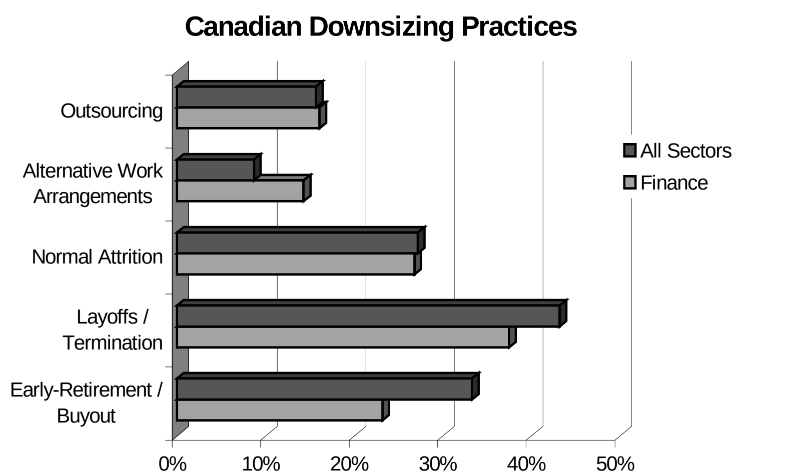
[7] Members Briefing, *Corporate Restructuring: Lessons Learned*; The Conference Board of Canada, 1997

Exhibit 2: Approaches to Downsizing

1. Reduce the inward flow of employees
2. Increase the flexibility and internal transfer of staff
3. Increase the outward flow of employees
4. Reduce the cost of current employees

Source: Australian National Audit Office; *Managing APS Staff Reductions: Better Practice Guide*, www.anao.gov.au

Chart 3



Source: Compensation Planning Outlook 1997, The Conference Board of Canada

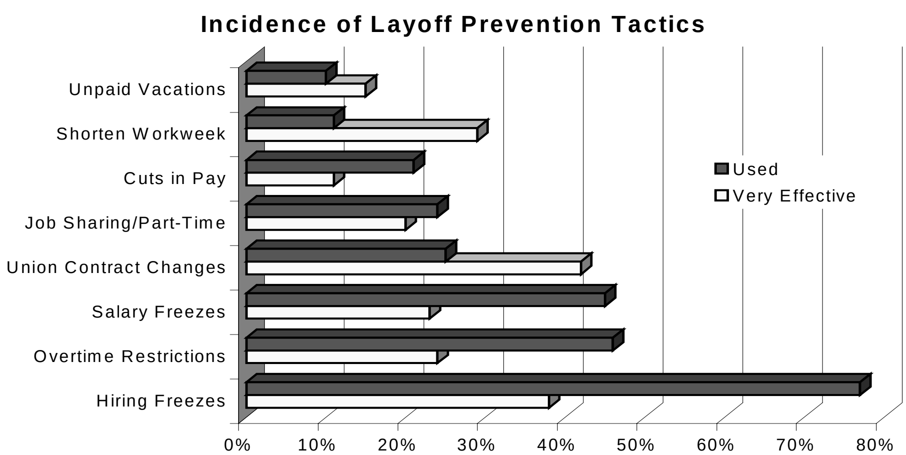
For each organization, the right "mix" of programs is dependent upon the corporate culture and the desired outcome. The effectiveness of each program is further impacted by the method of implementation. No single approach universally guarantees a successful downsizing. However, the tools used by downsizing corporations in support of the four approaches are similar across industries (see Chart 3). The programs are customized to meet individual requirements, and the method of implementation is determined by the short and long-term requirements of the organization.[8]

[8] *The Tough Mask of Downsizing: Companies laying off hundreds or thousands of people should be organized and attuned to workers needs.*, The Globe and Mail, Tuesday, July 29, 1997

Practices to Avoid Involuntary Layoffs

Organizations have a vested interest in reducing the impact of downsizing on morale and productivity, and the remaining stakeholders have an interest in reducing the economic and social impact on the community. The most effective practice in mitigating the impact of downsizing for all stakeholders is to reduce the volume of employees being displaced. Through workforce planning, organizations are able to identify employees at risk of losing their positions as a result of skills imbalances. Once individuals are identified, an organization can implement practices to avoid core worker layoffs through the realignment of skills with requirements (see Chart 4).

Chart 4



Source: The Wyatt Company; *Best Practices in Corporate Restructuring: Wyatt's 1993 Survey of Corporate Restructuring in Canada*, 1993.

1. Reducing the Inward Flow of Employees

Attrition/Hiring Freezes

By decreasing the inflow of employees, organizations can achieve a net reduction in the workforce through naturally occurring employment cycles. This is achieved through the practice of not hiring replacements for outgoing employees. While effective, this approach is not without shortcomings.

- In one survey, 77% of downsizing organizations had used hiring freezes as a downsizing solution however, only 38% reported the method as "very effective".[9]

- Without some targeted recruiting in high-turnover areas, the increased workload as a result of less staff may adversely affect employee morale, commitment, job satisfaction, continued retention, productivity and quality/customer service.[10]

- Although an attrition strategy is useful in that it does not result in layoffs, it does not always reduce workforce levels within acceptable time limitations.

- Although merging companies can survive operating with fewer people, they cannot do so with fewer *quality* people. Research indicates that mergers produce a loss of good employees and minimal turnover among those employees who are marginal. This does not allow an organization to strengthen and rebuild itself.[11]

2. Increasing the Flexibility and Internal Transfer of Staff

Redeployment

In larger organizations, there are often vacancies that require skills similar to those possessed by employees at risk of being displaced. Prior to any involuntary terminations, organizations often recruit for these vacancies through internal competitions based on merit.

- Managers may accept a slight skills mismatch on the basis that a motivated person inside the organization with corporate knowledge is preferable to someone new.[12]

- In unionized environments, collective agreements often require that redeployment be implemented as a first alternative. In addition, clauses often stipulate that employees be retained based on seniority. However, the right of a senior employee to replace a junior employee is often restricted by the requirement that he or she be able to do the work satisfactorily. Usually, the seniority clause specifies the work areas in which workers may exercise their seniority rights when a reduction in the work force becomes necessary.[13] This may trigger a series of "bumping" actions, whereby more senior employees are permitted to deploy to other positions if their job is taken.

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9 The Wyatt Company; *Best Practices in Corporate Restructuring: Wyatt's 1993 Survey of Corporate Restructuring in Canada*, 1993.

10 Presentation: *Lessons in Restructuring*, The Conference Board of Canada

11 Pritchett, P., Pound, R.; *Smart Moves: A Crash Course on Merger Integration Management.*

12 Ibid.

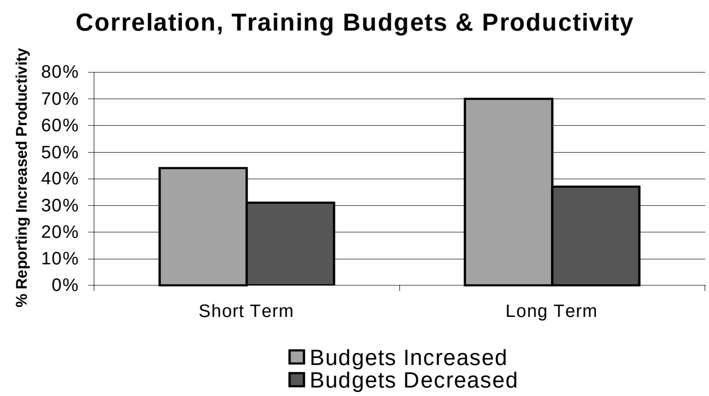
13 Kehoe, F., Archer, M.; *Canadian Industrial Relations*, Twentieth Century Labour Publications, 1996, p.188

Training for Redeployment

For employees who cannot be redeployed because they do not possess the skills required in other business units, skills training may be offered. Once trained, organizations are then able to leverage these new talents as a source of competitive advantage. In addition to productivity improvements, organizations may be able to significantly reduce the costs associated with severance through direct investments in training. Through training, Chevron reported savings of $25 million in severance costs.[14] By taking advantage of training, employees benefit from employer paid skills development opportunities that may not have been available without an organization's focus on restructuring.

- Organizations often find it more cost effective to retrain employees to meet internal demands than to bring in new employees. This is attributed to the institutional knowledge that the employee has accumulated over the length of his or her employment.[15]
- Increased training expenditures have been linked to future corporate profitability after downsizing (See Chart 5).

Chart 5



Source: *The 1995 AMA Survey on Downsizing and Assistance to Displaced Workers*

- Part of implementing training for redeployment programs requires the identification of skills shortages. In the Canadian financial services sector, organizations report difficulties recruiting key skills from the marketplace in IT, programming, sales and marketing, and financial insurance knowledge (see Chart 6).

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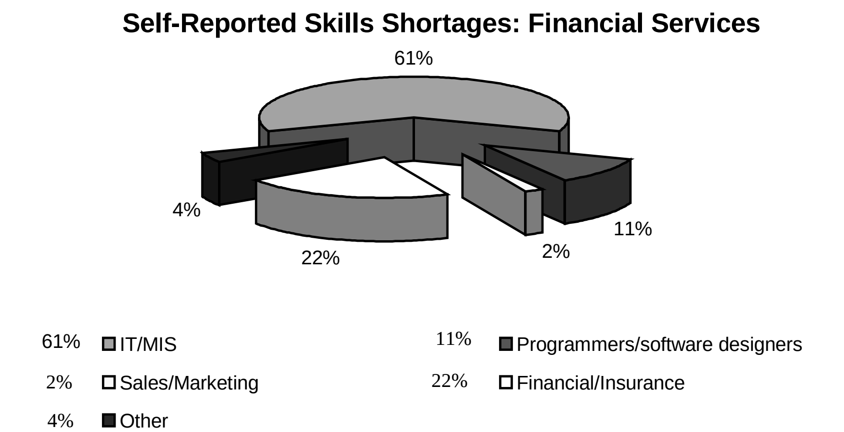
14 Evans, M., Rotman, J.; *The Guide to Responsible Restructuring*, www.mgmt.utoronto.ca

15 *Workforce Reductions: Downsizing Strategies Used in Selected Organizations* (Chapter Report, 03/13/95, GAO/GGD-95-54); Report to Committee on Governmental Affairs, United States Senate.

Chart 6



Source: Compensation Planning Outlook 1998, The Conference Board of Canada

- In a US study, one organization reported taking advantage of co-funding under the Economic Dislocation and Worker Adjustment Assistance Act for training and building the skills of displaced workers. Under the program, private sector funding must be committed prior to the allocation of federal assistance.[16]

- The delivery of training may take place in-house, or off-site. Off-site solutions include coordinated partnerships with community colleges and private training institutes, as well as lump sum allowances for self-directed training.

- Training for redeployment can be developed and promoted for junior, as well as for more senior staff. As part of the "Ford 2000" program, nearly all of the company's 4000-plus high-level managers are training for new responsibilities.[17]

- Intel, publicly renowned for providing minimal job security to its employees, was able to redeploy 90% of 3,409 affected employees between 1991 and 1994.[18] This success was made possible through a strong training program and the presence of skills assessment centres. Through such an infrastructure, at-risk employees were able to enroll in required courses and secure alternative internal positions.

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16 Ibid.
17 Evans, M., Rotman, J.; *The Guide to Responsible Restructuring*, www.mgmt.utoronto.ca
18 Ibid.

- BC Tel offers an enhanced education leave provision in conjunction with funding of up to $2,500 per year in tuition while the employee continues to earn up to 25% of basic salary.

- Both the Royal Bank of Canada and The Bank of Montreal have devoted considerable resources into the development of computer based training networks for employees. The Royal Bank launched the Personal Learning Network in 1996, and the Bank of Montreal opened their $50 million Institute for Learning in 1994.[19]

- In unionized environments, training as a result of downsizing becomes a partnership agreement between the bargaining unit and the corporation. As part of NYNEX's overall downsizing strategy when it was faced with cutting 8,000 of its 35,000 hourly workers in 1994, they developed a 2-year associate degree in applied science with New York State University. Under the arrangement, employees worked four days, attended classes on the fifth day, and were compensated for a full five days. By effectively creating a four day work week, the pace of job losses was reduced. The benefit realized by the organization was the creation of a pool of employable technical skills from which NYNEX could draw . The Associate Degree subsequently became a required standard to be employed with NYNEX.[20]

3. Increasing the Outward Flow of Employees

Incentives

To achieve targets, a range of departure incentive programs may be implemented. Typical incentives tend to make the transition out of the organization rewarding for particular classes of employees, thus facilitating the desired behavior. The Federal Government Workplace Adjustment Program with its Early Retirement Incentive (ERI) and Early Departure Incentive (EDI) components is a classic Canadian example. In one study, 72% of corporations, state, and federal governments in Canada, Australia and New Zealand used an incentive program as a strategy to reduce their workforces. The same study also noted that incentives tended to become less generous during successive downsizing efforts.[21] The key to departure incentives is that employees maintain a sense of control through the ability to select the most appropriate option.

Early Retirement Incentives

Early retirement incentives allow long service employees to take advantage of the opportunity with a minor penalty, or with full retirement benefits. A formula for eligibility is typically based upon a combination of years of service and age; the sum having to meet a minimum qualifier to be eligible for full retirement benefits. Any combinations lower than a minimum qualifier may result in a reduction in the annuity by 3-6% per year. As a result, early retirement eligibility can

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19 *Bank Merger Keeps HR Jumping*, Canadian HR Reporter, February 23, 1998.
20 Ibid.
21 *Workforce Reductions: Downsizing Strategies Used in Selected Organizations* (Chapter Report, 03/13/95, GAO/GGD-95-54); Report to Committee on Governmental Affairs, United States Senate.

extend to employees who are 10 to 15 years younger than normal. In a unionized environment, an agreement to implement an early retirement incentive program may be required. Incentives may vary between bargaining unit members and exempt employees in any one organization.

- In one study, 58% of companies offered early retirement opportunities as part of their downsizing strategy.[22]

- Early retirement incentives are offered for a certain period of time creating an "early retirement window" whereby employees must take advantage of the opportunity before the offer is no longer valid.

- Payment of retirement incentives may take the form of cash (tax withheld), or payment may be made into an RRSP.

- The implementation of financial planning workshops, lifestyle workshops, and one- on-one counseling yields greater uptake for those who are eligible. The costs for such workshops are more than offset by the savings derived from increased acceptance.[23] Through such workshops, employees may develop the confidence to accept early retirement, and pursue personal interests or small business ventures.

Buyouts/Lump Sum Payment Incentives

Lump sum payment incentives are provided to encourage employees to separate voluntarily. The method used to determine the incentive is often based on a severance pay formula of one or two weeks of pay per year of service. Typically, the formula is more generous than what an employee could normally expect under an involuntary termination severance. As a result, outgoing employees choosing a buyout option enjoy a higher degree of financial security while pursuing the next opportunity. Typically, an employee is given the freedom to select his or her own termination date within a certain time frame so that personal needs may be accommodated. Lump sum payments may be offered to those who resign or to those who are retiring.

- In one US study, 56% of participants offered lump sum payments as an incentive for employees to depart voluntarily.[24]

- In a Canadian study, 33% of organizations reporting downsizing activity between 1995 and 1997 used buyouts as an incentive.[25]

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[22] The Wyatt Company; *Best Practices in Corporate Restructuring: Wyatt's 1993 Survey of Corporate Restructuring in Canada*, 1993.
[23] Ibid.
[24] *Workforce Reductions: Downsizing Strategies Used in Selected Organizations* (Chapter Report, 03/13/95, GAO/GGD-95-54); Report to Committee on Governmental Affairs, United States Senate.
[25] Compensation Planning Outlook 1997, The Conference Board of Canada.

Other Incentives

Although not much detail is available, other types of incentives were mentioned throughout the literature.

- New business startup assistance through workshops and financial assistance;
- Continued health, dental and life insurance benefits for a period of time; and,
- Tuition fees up to a defined maximum.

4. Reducing the Cost of Current Employees

In addition to wage reductions and outsourcing specific activities, programs may be implemented which reduce the net cost of maintaining current employee strengths while allowing employees to voluntarily take advantage of reduced hours or leaves of absence. These voluntary programs may be ideal for employees with family or other personal obligations, or for those who are considering alternative career opportunities.

Modified Work Week

Reducing the number of hours or days that employees are required to work produces multiple benefits. Reduced hours lowers salary costs for the employer, and allows employees to pursue other activities.

- Workweek modifications may translate into part-time hours, or job-sharing arrangements.
- One financial institution offers voluntary flexible hours, work-at-home or modified workweek arrangements, and it is estimated that 30 per cent of its staff currently take advantage of the program. The popularity of the program has increased with 63 per cent of managers highly recommending flexible work arrangements; a 29 per cent increase since 1994. To facilitate accessibility, the institution has developed an electronic system to help staff find job-sharing partners and to allow managers to exchange tips.[26]
- The modified workweek may be offered on a permanent basis or for a defined period of time to employees at risk of being displaced. Under a temporary arrangement, employees have more hours available to pursue alternative employment arrangements, while still earning an income that is higher than would be received under Employment Insurance benefits.

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[26] *Royal Bank scores with flexible work programs*, The Globe and Mail, Friday, May 15, 1998

Leaves of Absence

To allow employees to pursue educational, small business venture, or alternative employment opportunities, restructuring organizations may permit and promote leaves of absence. Typically, an employee is guaranteed the same or a similar position upon his or her return.

- Leaves may be paid, unpaid, or partially paid. Benefits may or may not continue throughout the leave of absence.

- Length restrictions may be imposed by the organization as determined through individual strategy and downsizing time frames.

- Reflexite, an American corporation, implemented a voluntary Leave of Absence plan with the cooperation of the State of Connecticut. The plan permitted a voluntary unpaid leave of absence between 2 weeks and 5 months while employees maintained full benefits and received unemployment compensation from the state.[27] In 1994, Bell Canada attempted to provide a similar program as part of its' restructuring however, the application to have UI benefits extended to employees on leave was denied.

Involuntary Programs

Where there is insufficient uptake of voluntary incentives, organizations may find themselves initiating involuntary terminations to meet objectives within established timeframes. The literature provides a range of practices designed and used to minimize the economic and psychological impact of involuntary terminations on affected individuals. Through the implementation of best practices, downsizing organizations are able to ease the transition process for those who remain, and for those who are departing. Key practices revolve around severance, outplacement, training and relocation.

Severance Packages

Severance payments are given to employees upon termination providing that they have met the minimum service requirements under legislation. In addition, organizations often exceed the statutory requirements in an effort to reduce the economic and psychological impact on the outgoing employee. The package itself can be comprised of both fixed and variable components to address the economic disparity associated with loss of employment. To promote positive outcomes, packages often include services to address the psychological trauma of the event. In a unionized environment, severance provisions are usually specified in the collective agreement.

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[27] Evans, M., Rotman, J.; *The Guide to Responsible Restructuring*, www.mgmt.utoronto.ca

Outplacement Counseling/Assistance

Outplacement counseling is a service paid for by the company and/or external agencies which assists displaced workers with finding new employment. The objective is to decrease the impact of the job loss by facilitating the grieving process and assisting the exiting employees to find meaningful employment or skills training opportunities as quickly as possible.

- Outplacement counseling typically takes the form of an in-house "career transition/resource centre", frequently with the assistance of an external consulting agent with expertise in the field.
- Career Resource Centres provide a wide range of services as determined by the downsizing organization's, culture, financial ability and willingness (see Exhibit 3).
- The service is provided for a defined period. Factors such as the local labour market and the skills composition of the exiting employees need to be considered when determining an appropriate period of service. A large outflow of low skilled workers will require more time for the labour market to absorb. Outplacement services may last anywhere from 6 months up to 2 years.[28] In one study of 311 downsized employees, it took an average of 5.6 months to obtain alternative employment.[29] To bring about best results, outplacement services may be offered until each affected employee is placed.

Exhibit 3: Outplacement Services

- Resume critique and preparation
- Access to secretarial, photocopy, fax, telephone and computer resources
- Individual and group career-transition counseling
- Workshops emphasizing networking as a search tool and interviewing techniques
- Stress counseling
- Counseling to family members
- Information on starting a business
- Skills assessments
- Self marketing technique workshops
- Financial planning sessions and change seminars
- A private meeting room
- Access to nationwide job database
- Active solicitation of new employment opportunities

Education and Training Assistance

As part of the severance package organizations may implement a tuition reimbursement program for involuntarily terminated employees. Under such a provision, employees are provided with financial resources to assist with new retraining.

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28 *Workforce Reductions: Downsizing Strategies Used in Selected Organizations* (Chapter Report, 03/13/95, GAO/GGD-95-54); Report to Committee on Governmental Affairs, United States Senate.

29 Zetlin, M.; *Can IBM Soften the Blow?*; Management Review, August 1993, *quotation source from article: Drake, Beam, Morin Inc.*

- Offering tuition reimbursement after termination allows the organization to reduce the costs of salary and benefits, while still enabling skills acquisition by displaced workers.

- In one study, a company reimbursed terminated employees up to $5,000 each for vocational training or academic study satisfactorily completed within 24 months after separation.[30] In another study, an organization also offered $5,000 in retraining assistance for reemployment if used within 18 months.[31]

Relocation/Travel Assistance

Although not a very common practice, organizations may offer to reimburse employees for travel and accommodations as part of their search for employment.[32] Organizations may also provide permanent relocation assistance. These practices address the findings that 30% of people leave the location where they exited the company. This figure may vary significantly in smaller employment markets.[33]

Case Studies

Canadian Steel Trade and Employment Congress (CSTEC)

CSTEC is a joint venture between the United Steel Workers of America and Canada´s steel producing companies and operates as a Sectoral Council in partnership with Human Resources Development Canada (HRDC). *The Council is one of 21 Sectoral Councils under the Sectoral Partnership Initiative (SPI).*

In 1988, the federal government provided CSTEC with funding assistance to develop and maintain a Worker Adjustment Program for displaced steelworkers. In 1992, CSTEC increased its mandate to include training programs for currently employed steelworkers. Recently, CSTEC has developed the Steel Industry Training

Exhibit 4: SPI Objectives

- To develop effective partnerships in the private sector
- To improve the relevance of the learning system
- To foster a continuous learning culture in the private sector
- To support the mobility of labour across Canada
- To contribute to Canada's labour market information

Source: Human Resources Development Canada, www.hrdc-drhc.gc.ca

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30 *Workforce Reductions: Downsizing Strategies Used in Selected Organizations* (Chapter Report, 03/13/95, GAO/GGD-95-54); Report to Committee on Governmental Affairs, United States Senate.
31 Noer, D., Bunker, K.; *Best Practices in Leading Downsized Organizations*; Proceedings of a Conference 1995.
32 Mosher, D., Pollack, D.; *Managing the Human Dimensions of Mergers and Acquisitions in the Banking Industry*; The Bankers Magazine, September/October 1995.
33 Zetlin, M.; *Can IBM Soften the Blow?*; Management Review, August 1993, *quotation source from article: Drake, Beam, Morin Inc.*

Program in partnership with 19 colleges/cégeps in steel producing communities. CSTEC provides expertise as well as a range of services and programs through its head office in Toronto. All programs and services are delivered through local co-chaired joint labour-management committees.

- The decision to create a Council in a particular sector is often the result of leaders identifying common problems across their industry. These common issues could include difficulty in recruiting scarce skills, as with the Software Human Resource Council, or problems associated with inconsistent training standards as with The Canadian Tourism Human Resource Council. Whatever the impetus, the first step is often a process of fact-finding and diagnosis through a sector-study conducted by HRDC with the assistance of the interested sector leaders. Within a unionized environment, leaders from both union and the corporations may identify joint interests.

- In the case of CSTEC, 26 courses have been developed in partnerships with 19 local colleges/cégeps. Currently, another 20 to 30 courses are being developed. The courses are divided into three basic categories: essential skills, general steel industry, and specific technical skills within the steel industry. Credits for the courses are recognized by all participating institutions. Within the first three years, HRDC reports great successes:

  1. Training in broader, strategic foundation skills and technical skills has more than doubled.

  2. Access to training by occupational groups has expanded.

  3. The quality and cost-effectiveness of training has increased.

  4. The transferability of skills, and the adaptability and employability of workers has increased.

  5. The program was awarded the Partnership Focus Award by The Conference Board of Canada.

  6. In one study, most workers in the steel industry were aware of CSTEC and the Skills Training Program. Approximately 90% of participants found the training relevant to their job and 93% of participants were satisfied with the training.[34]

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[34] Human Resources Development Canada, www.hrdc-drhc.gc.ca

- Between 1988 and 1996, CSTEC's Worker Adjustment Program attracted 87% of laid-off workers, helped 90% of participants complete their training, and helped 86% of all laid-off workers find new jobs with comparable wages.

- Job placement services provided through CSTEC include: peer counseling, resume preparation, interview skills coaching, access to employer profiles for research, fax/photocopying services, job counseling with job placement coordinators, and access to the National Job Bank.

Exhibit 5: CSTEC Worker Adjustment Program

- Local Adjustment Committee Training Services
- Peer Counseling and Needs Assessment Services
- Seminars in Goal Setting, Financial Planning, Job Shop, Small Business and Prior Learning Assessment and Recognition (PLAR)
- Job Placement Services
- Training Referral Services

Source: CSTEC, www.cstec.ca

- Prior Learning Assessment Recognition (PLAR) is a program developed and administrated in partnership with HRDC, and is currently offered by several Sector Councils. PLAR services may also be delivered through an independent Centre environment, such as the Halifax project between five universities, a community college and the Native Council of Nova Scotia.[35]

- PLAR is a process that involves the assessment and recognition of competencies that have been developed through many means of formal or informal study. The objective is to obtain formal recognition of what a person knows and can do. This recognition can be credited towards academic or training programs, occupational certification or labour market entry. The benefits of obtaining PLAR services are:

Exhibit 6: Experience for PLAR

- On-the-job training
- Non-credit courses
- Military service
- Independent study
- Community activities
- Hobbies
- Family activities
- Travel
- Volunteer activities
- Union activities

Source: PLA Centre, www.placentre.ns.ca

1. Reduces duplication and inconsistent occupational requirements/certification.
2. Previous credit through PLAR ensures efficient application of training time and training dollars through the elimination of duplicate training.
3. Empowers adults by recognizing existing strengths and competencies.
4. Provides a reliable, credible career planning structure and process.[36]

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35 The PLA Centre, www.placentre.ns.ca
36 Ibid.

Through PLAR, an adult can develop a better understanding of his or her personal skills. Through the accreditation process, an adult may enroll in academic or skills training at an appropriate level.

Assessment

The credit for CSTEC's success has been attributed to the strong support of member companies and the United Steel Workers of America.[37] Any similar duplication of success would require shared authority, joint investment of resources, mutual benefits and shared risks, responsibility and accountability between leading organizations supporting the creation of a council.[38] Regardless of structure, sector councils share a commitment to identify and act on the human resource needs that are most important to their constituents. Over time, those constituents must generate all the money needed to keep a sector council going as any federal start-up support winds down.[39]

The specific programs offered through CSTEC's worker adjustment program are identical to those offered by many organizations who provide outplacement services as part of the severance package. The advantage that CSTEC has is a coherent, holistic strategy derived from an understanding of the steel industry, the relevant skills, and the occupational standards. This expertise has inevitably been a factor in its placement and training success.

Similarly, the skills training programs that CSTEC has developed on its own and in partnership with the colleges and cégeps has been based on the in-depth understanding of the steel industry's occupational standards. Between 1992 and 1994 the Canadian Financial Sector Skills Analysis Task Force developed some essential skills profiles however, the success of the initiative was minimal due to the scope of the many sub-sectors of the industry. Without the in-depth understanding of the skills, knowledge, and abilities required industry-wide, it would be difficult to develop training programs that would enable universal skills acquisition as under CSTEC.

Bell Canada[40]

Faced with decreasing profits and marketshare as a result of increased competition after deregulation, Bell Canada initiated a voluntary downsizing program in 1994. To avoid layoffs, Bell implemented a series of voluntary options as part of their overall focus on reducing expenses. Unfortunately, the results failed to meet expectations and it was determined that a significant reduction in staff strength was required. As part of a new downsizing initiative in 1995, Bell clearly communicated to employees that the company would be cutting staff from 51,000 to 40,000 by the end of 1997. To facilitate the process, Bell offered voluntary early

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37 Ibid.

38 *The Partnership Handbook*, Human Resources Development Canada, 1997.

39 Human Resources Development Canada, www.hrdc-drhc.gc.ca

40 From corporate publications and a telephone interview with Denis Coderre, vice-president, compensation and benefits, Bell Canada, May 13, 1998

retirement and lump-sum severance packages. By opting to take advantage of a package, employees received greater compensation than they would have under an involuntary severance scenario.

Recognizing the importance of employees making informed decisions, Bell communicated to managers a sense of what the new organization would look like. Through discussions with managers, employees were empowered to determine their potential opportunities with an understanding of future corporate requirements. In addition, a complete statement was issued to each employee outlining the potential package payment for each month between July of 1995 and December of 1997. This permitted *employees* to determine the most opportune time to take advantage of any voluntary termination incentive.

1994 Options

Reduced Workweek

- Bell focused the promotion and availability of the reduced workweek option on areas where it was determined that surplus situations existed. Employees in the Craft and Services bargaining unit, Clerical and Associated bargaining unit and employees among Tier C and D managers were impacted. Employees were required to apply to the program to ensure that business unit requirements were considered.

- Pension, benefits, and vacation entitlements were fully protected while on the reduced workweek.

- The Reduced Workweek option inadvertently created service delivery problems. Many employees opted for similar days off, leading to an inability to deliver quality service during some periods. This led to increased overtime expenses when the objective of the program was to reduce costs.

Special Leaves

- Seasonal Leave with Income Averaging allowed all regular full-time employees to take off up to 20% of the working year (10 weeks and 2 days). In exchange, an employee’s salary was reduced by 20% and the remainder was averaged out over a one-year period. Employees were permitted to work elsewhere throughout the leave provided they did not work for a company in the BCE Inc. family or with a competitor.

- Special Education Leave (Designated Skills) allowed regular employees to pursue studies in computer science, technology management, computer engineering and electrical engineering. Employees were permitted a leave of up to 4 years, and received up to 50% of their basic salary depending on course load. In addition, employees were reimbursed up to a maximum of $5,000 per calendar year for education-related expenses. Employees were also guaranteed a minimum of eight weeks of summer or work-term employment at full pay.

- A General Special Education Leave program was offered to regular employees interested in educational pursuits outside of the designated disciplines. Employees were permitted a leave of up to 4 years however, only 25% of basic salary was a paid and a maximum of $2,500 was reimbursed for tuition. Employees were guaranteed employment upon return to work but were not guaranteed summer or work-term employment.

- Special Leave to Work for a Non-Profit Organization allowed regular employees to take time off to work for a recognized non-profit organization for a minimum of six months and a maximum of two years. An allowance of up to 25% of base salary was provided during this period.

- Special Personal Leave permitted employees to take personal time off for a period of 6 months up to a maximum of two years. Under Special Personal Leave, Bell continued to provide coverage under its Health Plans and Survivor Protection Program. Employees could also maintain optional coverages.

Termination Incentive Plan

- Termination incentive plans were initiated by the company and not available on a widespread basis. This allowed Bell to target surplus skills while taking into consideration business requirements. The program was only available for 10 weeks.

1995 Options

- Upon assessment of the strength of the retirement plan fund, the eligibility for an immediate retirement annuity was lowered to 75 points (age and service).

- Lump-sum severance packages were offered. Generally the incentives were structured as follows:

    1. A unionized employee would receive double what they would normally receive if they were involuntarily laid off. If the employee used the program, they forfeited any recall rights.

    2. Managers were generally offered 3 additional months of salary over what they could expect to receive under an involuntary termination severance package.

    - Of the 16,000 applications for packages received, 14,000 were approved. In addition, approximately 1,000 employees were involuntarily terminated. In total, the downsizing took the form of 7,000 early retirements and 8,000 terminations. The early retirement program was applied for and approved by nearly all employees over the age of 50.

    - It was indicated that a better communication strategy for both programs may have yielded improved results, and resulted in fewer involuntary terminations.

NOVA

"In a global economy…it will no longer be sufficient for people to function within the confines of a routine, spending thirty years in one job or career path, avoiding change, challenge and risk."

Mike Lee, vice-president of human resources for Novacorp International, speaking to educators on the needs of students preparing for jobs in the new economy (April 1994).

This quotation headlined the Special Issue Career Planner that NOVA distributed to all of its employees as part of its downsizing communication strategy in August of 1994. In the Planner, NOVA communicated the changing employment contract and the opportunities that it presented. As an entity created by the Alberta Government in the 1950's, NOVA has faced considerable changes as a result of privatization and increased competition in the oil and gas industry. As early as 1993, the decision to re-engineer the company and its processes was made. It is worth noting that NOVA's transition was developed during a period of relative stability. This allowed the company to conduct needs analyses and program implementation in a thorough manner. The result was the development of the Employment Transition and Continuity program. The program cost NOVA approximately $5 million for the initial downsizing efforts targeting 3,200 workers. Once implemented, the program remained operational to assure employees that there was a safety net in the absence of job security for the future.

- Once notified, employees had three month's to find another position within the company or use one of the options available under the Employment Transition and Continuity program.
- Alternative work arrangements were permitted if they could be arranged. Job sharing, a reduced workweek and seasonal work were some of the arrangements permitted.
- An educational leave option was introduced where the company paid 50% of an employee's salary while in school, and up to $5,000 per year for tuition and books.
- A community support initiative option was implemented where employees were permitted to work for a community, non-profit organization for up to one year while continuing to collect 50% of their salary.
- Under one option, employees could take advantage of a new business start-up grant of up to $25,000. This option was available *in addition* to severance.
- Under another option, departing employees could upgrade their skills through the assistance of up to $5,000 in tuition and books.
- Employees were permitted unrestricted leaves of absence to facilitate personal decision making processes.
- On rare cases, relocation assistance was available to certain employees.
- A Career Centre was established which promoted the choices provided by NOVA. Computer, fax, career counseling, and referral services were provided.

- As a result of the recently announced merger with TransCanada Pipeline, NOVA anticipates that it will require additional restructuring. It is further expected that there will be redundancies between the two merged workforces. Both companies have issued public concern for retaining their well-educated, highly skilled workforces, rather than reducing them. However, through future growth, and normal attrition, NOVA expects to achieve any necessary reductions. Any job requirements beyond these are to be addressed through voluntary retirements and through NOVA's Employment Transition and Continuity program. This program will be equally available to all current employees of TransCanada and NOVA.[41]

Discussion[42]

The Employment Transition and Continuity (ET&C) program was a manufactured product in the truest sense from the very beginning. NOVA segmented its work force through a demographic marketing style analysis, and proceeded to develop specific 'tailor made' products which met the needs of each segment. By delivering program components that appealed to the entire range of employees, the company was able to create meaningful alternatives. As a result, the majority of employees taking advantage of the ET&C components reported a positive impression of the organization even after termination. As one NOVA representative indicated, the company had cut thousands of jobs, without any negative media. Through the provision of ET&C services, the company was further able to generate goodwill among remaining employees, a crucial element to the future success of any restructured organization.

- Each program's target market was established, and employees received individualized counseling from HR representatives.

  1. Education and training programs were designed to meet the needs of younger employees.
  2. The community option was designed for those employees who were older, but were not ready to retire.
  3. The entrepreneurial program was designed for those employees between 30 and 50 who did not want to bridge into retirement.

- Under the program, work arrangements were flexible to the extent that an employee could job share and work a full workweek for 6 months, and then share the remainder of the year.

- Although programs were demographically tailored, the cornerstone of the ET&C program was choice, and the employee's freedom to make informed decisions. As a result, no arbitrary eligibility restrictions were implemented.

[41] NOVA Corporate News Release, January 26, 1998

[42] Telephone interview with Wendy Richardson, NOVA, May 14, 1998

- Strong communication and access to reliable information was considered a critical factor for success. Employees considering skills training received honest information regarding their current skills, and the skills required in any particular business unit. If employees needed additional information, Human Resources referred employees to the appropriate source.

- Although unable to disclose figures regarding uptake,

  1. Alternative work arrangements have grown in popularity, and they are expected to continue to be popular throughout the current merger with Trans-Canada Pipelines.

  2. The uptake for the entrepreneurial program was significantly higher than anticipated. In hindsight, the large number of employees in the target demographic at NOVA should have signaled a high degree of interest.

- NOVA regularly assesses the success of the program. The company uses both business objective measures and employee feedback as part of the evaluation process. Strong, positive feedback indicates that the program has been, and will continue to be successful.