



Handling Retrenchment with Respect and Dignity

Retrenchment exercises used to be a last resort for companies that were facing challenges. That peaked during the pandemic when companies could not continue with their current staff levels. We have seen many retrenchments in the last few years and are expecting many more, especially in the Asia Pacific region. Retrenchments in Singapore more than doubled in 2023 compared to previous years¹. In Malaysia, up to 51,000 people may be retrenched by mid-2025.²

Following the pandemic, many companies have turned to retrenchment as a standard practice to stay competitive. This could be for cost-cutting reasons or to pivot their business strategy. As a result, retrenchment has become the norm rather than the exception.

Just because companies have normalised retrenchments does not mean they have become better at handling them. Many decision-makers believe that as long as a severance package is provided, employees will have no reason to complain.

However, this mindset has resulted in several horror stories. For instance, there was a case where a CEO informed everyone on a Zoom call that they had been let go.³ Such actions can lead to significant backlash from employees, which sometimes escalates into a public relations nightmare.

Respect and Dignity

There are three events that deeply affect a person. Death in the family, divorce, and losing one's job. Losing one's job makes the list because a person's job, in most cases, is part of their self-identity. The company they work for comes with a sense of pride. Taking that away effectively takes away a part of their self-identity.

All the goodwill and positive relationships that a company has built with an employee over the years can be quickly overshadowed by a brief, 10-minute conversation in which a manager conveys bad news.

It is a common mistake to assume that a positive history will lead an employee to forgive any negative actions or decisions.

However, this is a misguided assumption; employees are likely to remember their most recent experience. Therefore, it is crucial to conduct the notification meeting with respect and dignity. This approach will significantly influence whether the affected employee ultimately becomes a promoter or detractor of the company after the situation has settled.

As previously mentioned, **poorly executed notification meetings can lead to employee anger and public backlash, potentially impacting the company's future.**



Trained for Difficult Conversations

Nobody wants to be the person who informs an employee that they have lost their job. **However, it is very important that managers know how to have these difficult conversations.**

A concept that is often overlooked is that the notifying manager does not realise that they play the role of a 'Corporate Leader'. They represent the company. The conversation that they are about to have is not a personal one.

As a corporate leader, the manager has to be responsible and accountable for the company's actions.

There are words or phrases such as "I don't want to do this, but..." that avoid the responsibility of the action. An impacted employee who hears this will assume that the management, who has made this life-changing decision, is not respectful enough to have the conversation and is hiding behind the notifying manager.

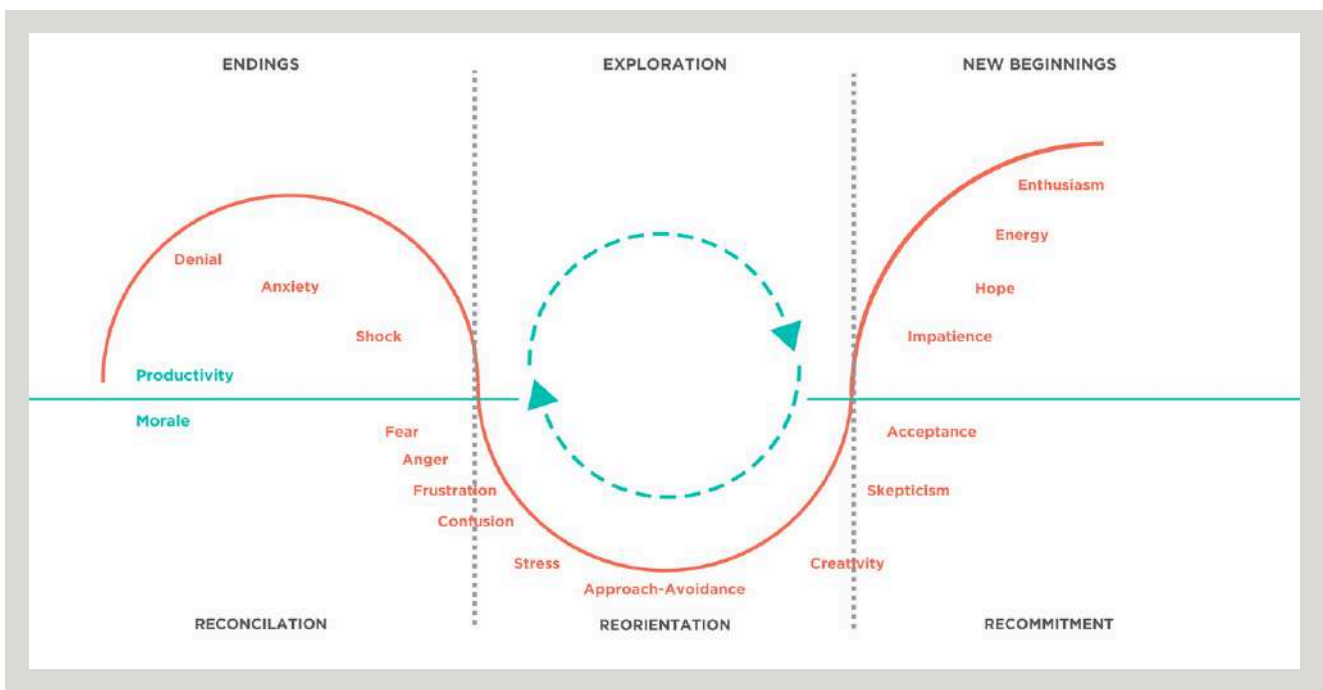


Image: William Bridges Transition Model⁴

As a person goes through a transition, they will experience a vast number of emotions. One or more of these emotions may present themselves in the form of reactions during the notification meeting. **A notifying manager must be able to recognise the reaction and deal with the emotions in a constructive way. All this must be done while being objective and keeping the conversation within the approved talking points.**

Handling the emotional impact of the notification does not end with the 10-minute discussion. Some companies opt to provide a notice period to provide a more dignified exit for the employee. During this notice period, the impacted employees may still experience different emotions and have a myriad of reactions. It is still the manager's responsibility to handle this in a respectful way.

Given the high responsibility placed on notifying managers, companies must invest in training to prepare them for this process. This ensures that all managers are aligned with the company's plans and that they are able to handle the conversation up to a certain degree. Many companies cite cost and time as to why they do not make this additional preparation. However, a public backlash would cost the company more in the long run.



The Case for Outplacement Support

Outplacement is the support of the impacted employee post-separation, usually done by a third party. A third party is often selected because the affected employee may not feel comfortable working with the company that just terminated their employment.

The support is never merely finding a new job. It starts with continuing to support the emotional impact of the separation. That is followed by taking the employee through their entire job search process, from understanding what skills and experience are transferable, designing their profile, networking, interviewing and negotiating an offer. Though a lot of these services are available online or via government initiatives, they are mostly detached services and lack one crucial component – an outplacement coach to keep the employee focused on the future.

Keeping the employee focused on the future has two main benefits.

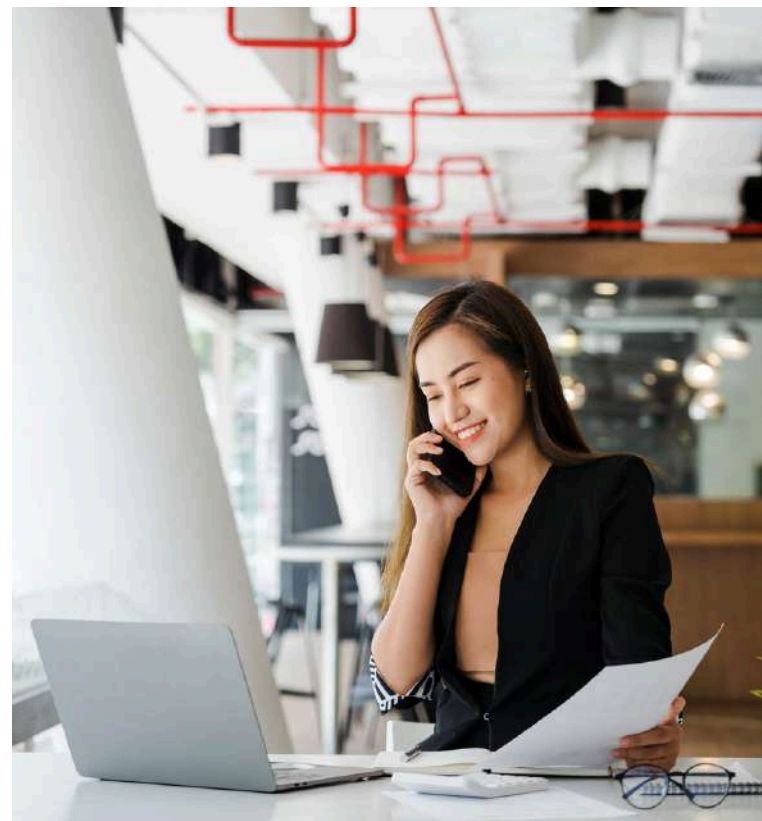
The first would be to ensure that they employee has the proper tools and support to land safely in their next role. This reinforces the care that the company has for the employees, where retrenchment was an unavoidable business decision. This will leave the employee with the feeling that the company was sincere in their engagement during employment as they continued it after separation. Impacted employees tend to speak well of their employers because of this.

Another benefit of keeping the employee focused on the future with outplacement is that the employee is not focused on being angry with the past. This, in turn, leads to lower amounts of legal action against companies.

It is even quite common for employers to cite the fact that outplacement was provided to the employees during court proceedings. This builds on the case that they do care for their employees, but the retrenchment was unavoidable.

Providing outplacement for retrenched employees also demonstrates to the remaining employees that the company cares. This would help the engagement levels of employees who stay after a retrenchment exercise.

All these factors will lead both impacted on non-impacted employees to continue to be promoters of the company, protect the brand and show that the company is an ‘Employer of Choice.’





The Bottom Line

Companies going through a restructuring that leads to retrenchment often cite ‘managing costs’ or ‘improving profit margins’ as the main driver. Conducting the exercise with Respect and Dignity sometimes takes a back seat due to the cost implications.

When making such decisions, companies should take into consideration the costs that may be incurred from executing the exercise in an unprepared manner. Public backlash may result in lower sales due to the stigma of working with an ‘inhumane’ organisation. Employee engagement levels may suffer, with attrition levels rising. Talent acquisition teams may find it hard to find candidates to join the organisation in the future due to a reputation of not being an employer of choice. All these effects have an even higher cost implication.

The bottom line is that it is always better to be prepared and handle retrenchment exercises with respect and dignity.



By
Hisyam Omar
Director,
PERSOLKELLY Consulting

References

1. Retrenchments in Singapore more than doubled in 2023: MOM report. (n.d.). CNA. <https://www.channelnewsasia.com/singapore/retrenchments-double-2024-fourth-quarter-mom-labour-market-advance-release-4087516>
2. Busst, N. (2024). Up to 51,000 may be retrenched by June 2025, says Socso official. Msn.com. <https://www.msn.com/en-my/news/national/up-to-51-000-may-be-retrenched-by-june-2025-says-socso-official/ar-AA1qPW1Y?ocid=socialshare>
3. Maruf, R. (2021, December 5). Better.com CEO fires 900 employees over Zoom | CNN Business. CNN. <https://www.cnn.com/2021/12/05/business/better-ceo-fires-employees>
4. Bridges, W. (1988). Bridges Transition Model. William Bridges Associates. <https://wmbridges.com/about/what-is-transition/>



About Us

PERSOLKELLY Consulting is a leading provider of HR Consulting, Learning Academy, Advisory Services, and Career Transition/Outplacement solutions. As a subsidiary of PERSOLKELLY, we are a global human resource consulting and professional services company dedicated to empowering individuals, organisations, and societies.

PERSOLKELLY is a joint venture between PERSOL Holdings and Kelly Services, created to address the growing workforce employment needs in the dynamic APAC market. We are one of the largest workforce solutions providers in the region, with a presence spanning over 80 offices across 13 markets.

PERSOLKELLY Consulting is running four services:

1. Organisation Development (OD)
2. Learning Academy (LA)
3. Career Transition / Outplacement (CTO)
4. Advisory Services (AS)

Learn More:

PERSOLKELLY Consulting Group
www.PERSOLKELLYCONSULTING.com