

I Have Been Downsized! Now What?



Although layoff is a term heard more frequently in the current economic climate, downsizing remains a commonly used labor practice by companies as they respond to the constantly changing competitive and market conditions. If you are caught in a corporate downsize, it is important to negotiate for the best severance package possible.

Downsizing vs. Layoffs

To the unemployed, the effect may seem the same, but there are major differences between downsizing and layoffs. Here are a few:

- **WHEN:**
 - *Layoffs* almost always happen during a downturn in the business cycle.
 - *Downsizing* can take place during any stage of the economic cycle and very often takes place during boom years.
- **WHY:**
 - A company generally *lays off* workers because supply outweighs demand or because of cash flow problems.
 - A company *downsizes* to streamline and re-engineer its business processes, to eliminate unnecessary bureaucracy and to become more efficient and competitive.
- **WHO:**
 - Workers who are *laid off* are almost always production line employees.
 - Workers who are *downsized* are usually middle managers and executives.
- **HOW MUCH NOTICE:**
 - *Laid off* workers usually get no notice and have little negotiating power.
 - *Downsized* workers often have plenty of notice, occasionally as much as six months, to find another job and can usually negotiate severance packages and employment aid.
- **WHAT'S NEXT:**
 - A *layoff* is often temporary; workers are called back to work when demand picks up again.
 - A *downsizing* is almost always permanent.

The Non-Compete Agreement

In the aftermath of a downsizing, you may be asked to agree not to work for direct competitors in return for some type of compensation. No employer, though, can ask you not to work for a competitor indefinitely.



Ask for these limits:

- **Length of time.** Six months to a year is generally accepted.
- **Distance.** Although it depends on the industry, most agreements apply only within a state or region.

Don't be intimidated into signing if you're confused or uncomfortable. Feel free to consult an attorney.

You're being downsized. Now what?

- **Don't Panic.** It's normal to feel shocked, fearful and disoriented when you suddenly face an uncertain future. Review the **JobSearch Guide *How to Manage Your Unemployment.***
- **Get a Letter of Reference.** Make sure that it explains the situation under which you were let go.
- **Negotiate.** It may not seem that you have much leverage after learning that you may be downsized, but in fact you do. Since your company is still quite vital, executives are concerned about keeping up their image and they don't want their former employees bad-mouthing them to competitors. So don't just grab at the first severance package. Spend some time thinking about what you really need in order to get by and to get on with your life.



- **Take Advantage of Outplacement Services.** This may be offered to you or you can negotiate for it, but plan to use whatever resources are available. They're especially helpful if you've worked for the company for years and your job-hunting skills are rusty. Review the **JobSearch Guide *Using Your Local One-Stop Career Center.***
- **Get the word out.** Don't be ashamed about losing your job. Now is the time to put your networking skills to use. Tell everyone you know that you are looking for work (especially former and current colleagues). Mention the types of jobs that you seek. Get as many leads as possible and start following up. (See the **JobSearch Guide *Using Your Network to Locate Jobs.***)
- **Prepare to Interview.** Be ready to discuss your situation in a matter-of-fact—not emotional—manner. **Don't bad-mouth your former employer.** Say instead, “I was one of the workers that XYZ Company downsized last month, and I am looking for”

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Negotiating a better severance package

Downsizing corporations are often generous in helping their downsized employees move on to the next job, but look closely at what's being offered. The amount of the offer is usually predicated on three factors:

- Seniority
- Time on the Job
- Performance

All of these factors can be used for or against you in negotiations. Even if you're a short-term, low-level employee, you're still out of a job, so don't be passive during this critical juncture. Remember: You don't have to walk away from this downsized job without a fair fight. Company officials are often guilt-ridden and fearful of costly lawsuits from disgruntled employees. Don't be shy about asserting yourself. Obtain a severance package that adequately meets your needs.

Although getting enough salary to cover your job-hunt should be an important factor in your negotiation, there are a number of other factors to consider. The following are some that may be worth more monetarily than you might think:

- **Job-Hunting Time.** If your downsizing agreement has you staying on the job for a period of time, ask that you be allowed to spend an hour or two each day sending out résumés, making phone calls and attending job interviews.
- **Office Space and Secretarial Assistance.** Companies that are downsizing will often offer you this benefit, but if not, ask for it. On the plus side, looking for a new job should be approached as a business, so having an office to go to each morning and a secretary to help with fielding phone calls and turning out résumés can be extremely helpful to the job-hunter. On the other hand, it might be awkward and provoke angry feelings for you to be around the same people who put you out of a job.
- **Outplacement Services.** Many large corporations offer in-house placement services and will likely offer this service to you. But don't settle for group outplacement or a one-day seminar on résumé writing. Ask for one-on-one assistance that lasts the length of your job search. If they don't possess internal expertise, ask that they pay for the services of an outside firm. (See the **JobSearch Guide *How to Select a Career Counselor.***)
- **Medical Coverage.** With most company health insurance plans, you're eligible for coverage for 18 months after you've been terminated. Unfortunately, though, you usually have to pay the entire premium cost (including the company's contribution) for this coverage. Ask the company to continue to pay its contribution during your time of unemployment. As a rule, companies will usually pay for this expense only during your severance period, but it doesn't hurt to ask that they continue to pay the premium even after that time has elapsed—especially if you have children.
- **Relocation Expenses.** If you were transferred to your present position within the past two years and then let go, ask for all or a portion of the costs involved in moving back home, as well as assistance in selling your house.
- **Bonuses.** If your salary includes a bonus clause, ask that they pay your prorated share. For example, if your annual bonus is \$1,200 and your severance period is three months, then you should receive \$300, in addition to your base salary.
- **Pension.** If you're going to lose a pension as a result of a merger or downsizing, ask the company to compensate you. This is a sensitive point, so talk to an accountant or lawyer before negotiating.



Don't go at it alone

You may be angry, hurt or anxious after being downsized, but don't let your emotions get in the way of moving on. To start, take advantage of any outplacement services the company offers you before and after you leave the job.

Internal outplacement departments offer several benefits to former employees, such as:

- Emotional support throughout the termination process and the new job search.
- Assistance in dealing with financial issues likely to arise during unemployment.
- Education on goal-setting and helping the family cope with job loss.
- Job skills assessment and help with developing a job-hunting strategy.
- Use of internal computers, copy machines and other resources.
- Training in interviewing and negotiating skills.
- Payment for and help with mass mailing résumés and letters to selected employers.
- Review the **JobSearch Guide *How Do I Involve My Family in My Job Search?***

A modern trend: Outsourcing

In the late 1990s, companies began to outsource rather than downsize, and it continues today. This step allows them to focus on their core business while having critical—but non-strategic—business processes like accounting, logistics, human resources and customer service provided by a specialized supplier.

In an outsourcing arrangement, key employees are usually transferred over to the new firm.

- The bad news? You'll no longer work for your old company.
- The good news? You'll still have a job.

Internet resources



www.careerperfect.com/content/topics-downsized/ - Good advice for people downsized.

<http://jobsearch.about.com/od/unemployment/a/downsized.htm> -- What to do when you are downsized by a company.

www.careeronestop.org/reemployment -- U.S. government portal features information on employment, training and financial help for the jobless.

www.doleta.gov/jobseekers/deal_jobloss.cfm -- U.S. Department of Labor programs for workers downsized.