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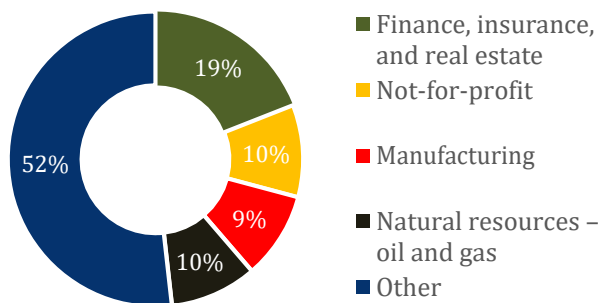
2018 STUDY:
**TERMINATION & SEVERANCE
PRACTICES IN CANADA**

METHODOLOGY

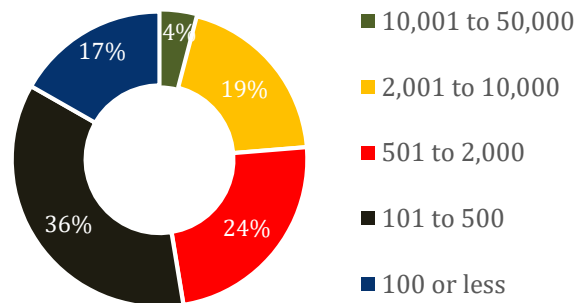
In the spring of 2018, VF Career Management conducted a survey entitled Termination and Severance Practices in Canada. This survey is part of a continuing commitment to demonstrate end of employment practices by companies, as similar surveys were conducted in 2014 and 2016. It is the only survey of its kind that reflects data strictly from Canada.

Thirty questions surrounding termination practices were asked, including a handful of questions related to company demographics. The questions captured the changes in severance practices nationwide and regionally.

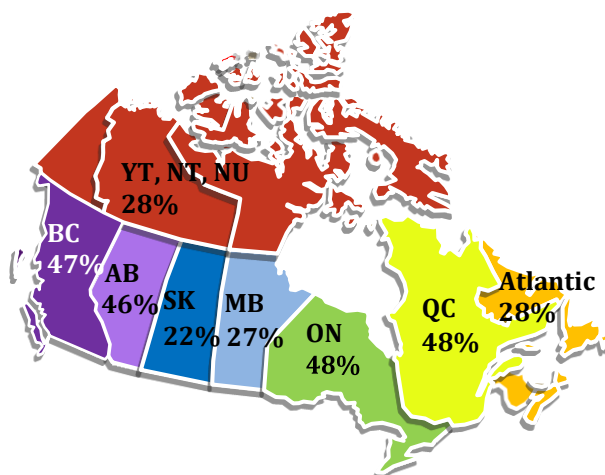
Distribution of companies surveyed by industry



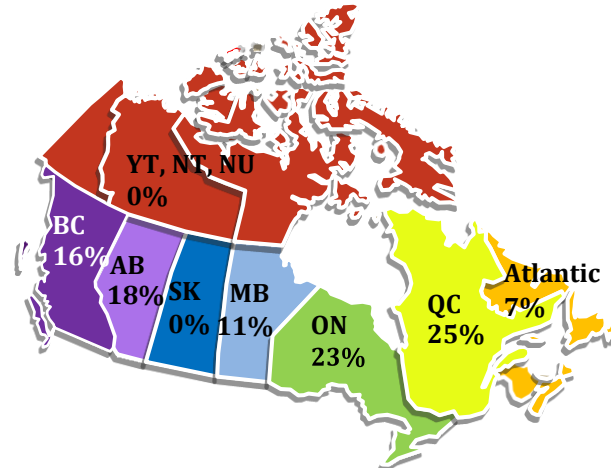
Distribution of companies surveyed by employee count



Province of operation



Province of headquarters



EXECUTIVE SUMMARY

To keep up with the market and optimize financial performance, employers are forced to adapt to changes in the economy, and workforce management is no exception. That said, despite the necessity of making difficult decisions, caring about their people remains a primary concern for Canadian employers.

According to VF Career Management’s 2018 Survey of Termination & Severance Practices in Canada, the economy remains calm and stable and does not foreshadow turbulence anytime soon. A key economic indicator is the number of employees who will lose their jobs over the coming year – most surveyed employers anticipate the same or slightly fewer terminations over the next 12 months than in the previous year.

When workforce changes become a necessity, such as restructuring and downsizing, employers continue to help affected employees deal with job loss by providing career transition services as part of the severance package.

Employers have multiple motivations for providing career transition support. Nearly half of the employers responded that they provide support because they believe it will send a positive message to the remaining employees. A large portion of employers are also interested in risk mitigation – trying to lower the likelihood of being sued by a terminated employee. More than half say they provide outplacement services to transitioning workers so they receive the skills and training needed to succeed in their new job. This indicates an employer’s concern for the future of their employees even after departure from the organization. Even more interesting is that 74% of the employers provide outplacement services because “it’s the right thing to do.”

Motivation for providing career transition support



74%
It’s the right
thing to do



56%
For terminated
employees to
receive job search
skills



48%
Risk mitigation

There are other key changes in Canadian termination practices today. One notable trend is the changing form of severance pay, with more prevalence to lump sum severance, rather than salary continuance. Other trends and complete survey results follow.

SURVEY FINDINGS

WORKFORCE CHANGES

In 64% of companies, the number of employee terminations over the past 12 months remained the same. The number of terminations was higher in 23% of the companies and lower in 13% of the companies. This is compared to 53%, 35% and 12% respective figures in 2016, indicating a stabilizing economy. Companies remain optimistic with 22% expecting fewer terminations over the 12 next months and 64% expecting the number to remain the same.

In 2018, Individual Performance became the main factor for terminations (64%), followed by Organizational Structure Change (59%). This deviates from former years' surveys, 2014 and 2016, where Organizational Structure Change was the main factor.

RECENT DRIVERS OF EMPLOYEE TERMINATIONS



64%

Individual
Performance



59%

Organizational
Structure Change



28%

Business Strategy
Change

It is possible that Individual Performance is under-reported as a reason for termination, given that low performing workers are often the first to be selected for larger downsizing initiatives.

When asked for the main cause of any expected change in the number of employee terminations over the next 12 months, Organizational Structure Change (57%) was cited as the top reason, with Individual Performance (52%) and Business Strategy Change (29%) coming in second and third.

FORWARD LOOKING DRIVERS OF EMPLOYEE TERMINATIONS



57%

Organizational
Structure Change



52%

Individual
Performance



29%

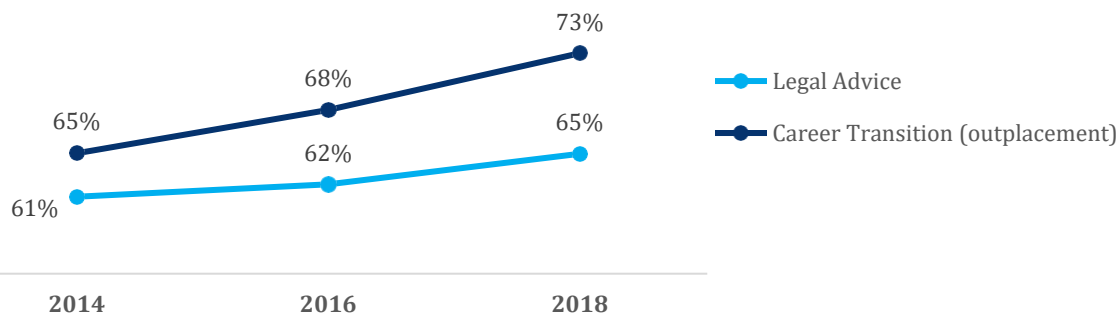
Business Strategy
Change

This further demonstrates the shift towards the importance of Individual Performance, which was picked as a primary factor by only 40% of companies in the 2016 Survey.

For larger downsizings, 93% of the surveyed organizations establish a project plan ahead of time, with most using a detailed plan, including assignment of responsibilities, communications planning, etc. The majority of participants (79%) indicated that the ideal amount of time to plan a downsizing was a month or longer. A significant portion of them, however, responded that more than two months or longer is preferred. This number increased over the last two years (48% compared to 41% in 2016).

Many organizations utilize external support to help plan a downsizing. More than two-thirds of organizations use career transition support to assist with planning, and this number is increasing. Nearly two-thirds of them use legal counsel as well.

Types of external support used by organizations



The most common reason for not being able to conduct enough project planning for large downsizings was *delayed HR involvement in the process*. This was followed by *not having enough time, too many priorities, and timing issues*. Inexperienced management becomes less of a factor for lack of planning in 2018 when compared to previous years (16% in 2018 vs 25% in 2016), indicating that management is taking steps to grow their expertise in this area.

Although participants still suggest the ideal amount of time to plan an individual termination is about a week or more, HR departments understand that timing is a luxury and is not always available. As a result, HR departments are taking steps to minimize the time needed for preparation to three days or more when it comes to terminations on short notice (30% of respondents indicated three to seven days to be ideal preparation for termination vs 25% in 2014 and 2016).

SEVERANCE

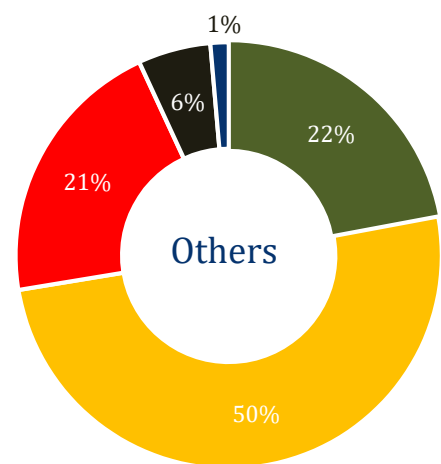
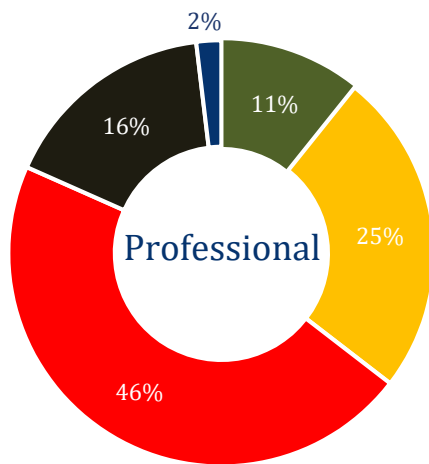
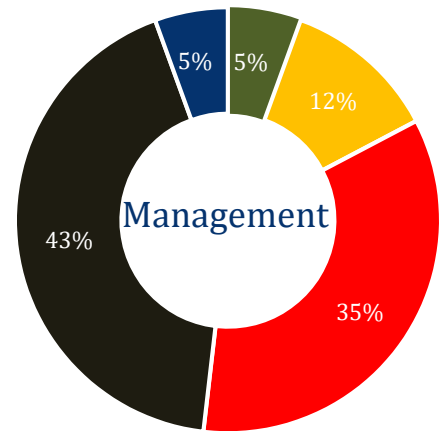
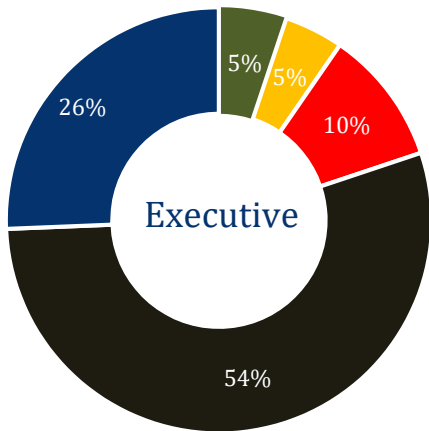
Participants reported that the top criteria used to calculate organization's severance payments were *Length of Service, Job Level, and Age of the Employee*. The table below summarizes the response of participants when asked what they include in their organization's termination packages. Note that figures may add up to more than 100% as some organizations report more than one practice.

What organizations include in termination packages

	Executive	Management	Professional	Others
Severance - lump sum	65%	66%	68%	59%
Severance - full salary continuance to end of severance period (no claw back)	28%	27%	20%	18%
Severance - salary continuance with partial payment of outstanding balance upon new position (partial claw back)	14%	15%	16%	12%
Severance - salary continuance stops upon new position (outstanding balance not paid out)	8%	6%	5%	3%
Mix/choice of lump sum and salary continuance	16%	14%	11%	9%
Payment of legal fees	13%	9%	4%	1%
Benefits continuation	66%	66%	60%	47%
Career transition (outplacement) services	82%	84%	72%	50%
Geographic relocation assistance	5%	3%	3%	1%
Non-compete	45%	33%	24%	13%
Non-solicit	51%	43%	34%	20%

Q. What is the typical severance payment for each year of service?

- One Week
- Two Weeks
- Three Weeks
- One Month
- More than One Month



Ninety-two percent of those surveyed required employees to sign a formal release to receive their full severance, with the most common time given to sign the release being up to one week (64%). Twelve percent gave more than a week, and eight percent less than a week.

CAREER TRANSITION

Most participating companies provide career transition support for their terminated employees.

THE TOP REASONS FOR PROVIDING CAREER TRANSITION SERVICES



74%
Right Thing
to Do



59%
For Terminated
Employees to
Receive the
Right Training



48%
Risk Mitigation

The data indicates that *risk mitigation* is becoming a growing concern for companies as 48% of respondents picked it as a major factor in 2018, vs 35% in 2016 and 30% in 2014. Other common reasons included *positive message for remaining employees* and *common practice*.

THE TOP CRITERIA USED IN DECIDING THE TYPE OR LENGTH OF CAREER TRANSITION SERVICES



1.
Job
Level



2.
Length
of Service



3.
Expected
Difficulty of
Job Search



4.
Age of
Employee

The number of respondents that picked *Job Level* as major criteria for length of transition program have been steadily rising over the past four years (79% in 2018 vs 66% in 2014). A similar trend has been observed with *Expected Difficulty of Job Search* as a criterion (47% in 2018 vs 41% in 2014).

In 2016, the most common transition program was 3 months (56%) whereas 4 to 11-month programs were significantly less common (11%). In 2018, 3-month programs became significantly less popular (42%) while 4 to 11-month programs became more frequent (36%). A similar trend was observed at the Professional level. For executive positions, 12-month programs became significantly less popular (12% in 2018 vs 21% in 2016). More companies also offered 4 to 6-month programs compared to 2016 (38% in 2018 vs 14% in 2016) and fewer companies offered 3-month programs (21% in 2018 vs 46% in 2016).

WHAT DID SURVEY PARTICIPANTS FIND MOST IMPORTANT IN CHOOSING CAREER TRANSITION PROVIDER?



73%
Quality of
Consultants



58%
Quick Response
Time



43%
Reputation

Career transition services are included in most termination packages, with approximately 83% of participating organizations providing these services at the executive and manager level, and most participants providing these services at the professional level. While the programs are typically smaller for unionized employees, many organizations include career transition services for these individuals as well.

While 92% of participating organizations require terminated employees to sign a release to receive their full severance, a much smaller number require terminated employees to sign the release to start their career transition services. This is likely because there are obvious advantages to assisting terminated individuals with a successful job search as soon as possible, allowing them to put their energy toward their future.

We are Canada's premier career management experts, with talent and expertise from coast to coast.



CAREER
TRANSITION



COACHING



TALENT
MANAGEMENT

We support and consult in each and every area of career management. From coaching valuable employees to helping them achieve their full potential for your company, to managing group and individual downsizing/restructuring projects that help meet company goals and objectives. We commit to enabling the success of your business by providing support and advice in all aspects of career management.

We are a group of career experts, certified human resource professionals, business executives, psychologists, counselors and career/executive coaches. We support employees working at every level of your organization. Everyone is treated professionally, with dignity and respect being paramount.

We understand how to effectively use technology and that there is a time and place for it. Online tools supplement, but certainly do not replace the immeasurable value of one-to-one support. We will not compromise our effectiveness, and we match our services to meet our client's expectations. Online career management tools complement, but do not replace this service.

We are committed to a belief that job loss and career coaching is personal. When you work with us you can expect to work face-to-face, with a high touch, proactive approach. We take pride in being present and approachable for our clients.

As a competitive full service Canadian-owned firm, our partner offices are all individually owned and operated. We understand your market because we operate within it. Each region in our country is unique. We have offices across Canada, with one clear focus – people.

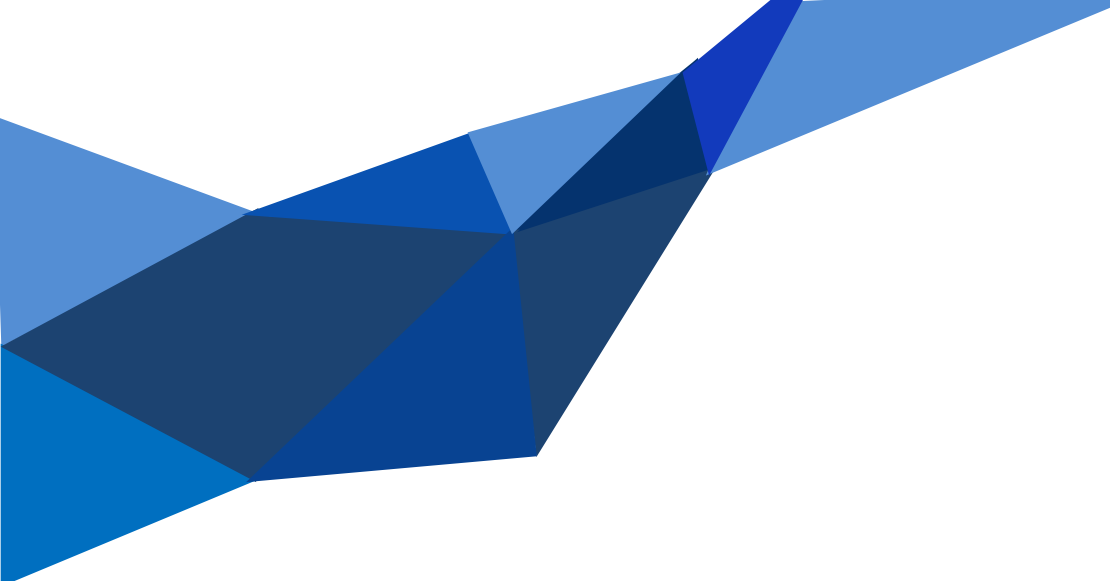
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