

Managing a Reductions in Force at The Florida State University: Developing And Implementing HR Cost Management Tools During A Budget Crisis

Joyce A. Ingram

Assistant Vice President, Finance & Administration,

Chief Human Resources Officer

The Office of Human Resources

The Florida State University

Tallahassee Florida

Abstract

Like many universities across the nation, The Florida State University is faced with an ongoing budget crisis. The scope of budget reductions over the last year and a half due to the economic recession, cuts in funding, and decreases in foundation prospects have continued to be beyond expectations. After cuts in operational expenses, restructuring exercises, seeking other creative revenue sources, and any other option to avoid layoffs it was apparent that there would be an unavoidable impact on the university's workforce in terms of reduction in force (RIF). In response to the RIF, the Office of Human Resources analyzed the needs of the organization from a human capital perspective. This meant taking into consideration the financial and legal implications for the University and the morale of the employees. Through the analysis it was determined that processes, contingencies, and various tools for deans, directors, and department heads needed to be established. These tools included: a Voluntary Separation Program, Comprehensive Layoff Model, Employee Transition Services, and a Contingent Furlough Policy. The tools and processes provided responsible financial and legal consideration, created new ways to reduce budgets, ensured processes were fair and dignified for impacted employees, and put in place an employment transition process to help employees affected by the crisis. Having these tools, processes and the methodology to assess what tools best fit the situation with successful implementation, is a best practice that can help with retrenchment and reallocation during tough financial times.

Introduction of the Organization

The Florida State University (FSU) is a major Doctoral/Research University-Extensive the Carnegie Foundation's highest designation. FSU's 15 colleges offer nearly 300 undergraduate, graduate, doctoral, professional and specialist degree programs, including medicine and law, covering a vast array of disciplines critical to society today.

Approximately 39,136 students attend the institution. This includes 29,644 undergraduates and 8,370 graduates, and 1,122 unclassified students. The University employs over 6000 faculty and staff and over 14,000 part time and temporary positions. It has an operating budget of \$1,111,706,391. A large percentage of the budget (72%) goes towards salaries and benefits.

Statement (restatement) of the Problem/Initiative

While the final outcome of a reduction in force (RIF) may provide some relief in terms of financial stress and contribute to institutional stability, the organizational stress is sometimes overwhelming. Decisions and processes that negatively affect a large number of university employees can injure institutions for years in terms of morale and reputation. FSU Human Resources was charged with coordinating all reductions in force, establishing guidelines for lay-off processes, creating tools to help leaders make tough personnel decisions, and provide a clearing house of services for impacted employees.

Given this, it was apparent any implementation of a RIF would require four approaches: a fair and legal set of guidelines for determining who would be laid off; alternatives based on reciprocity that would allow employees to exit the university on their own; alternative contingencies that would reduce hours across the board and in exchange lessen the

impact of personnel reductions; and services that would help impacted employees transition to new positions.

Design

Comprehensive Layoff Model

The Comprehensive Layoff Model was designed to provide fair and legal guidelines for deans and department heads using a business needs approach in determining who would be impacted by a layoff. The model had to take into consideration the question of financial stringency versus the core functions needed to sustain both academic quality and the infrastructure and services needed to support that quality. A determination of which employees to retain and which employees to separate had to be based on business needs and qualifications of employees in the department in which the lay-off occurs. Additionally, there were specific requirements the University had to follow in the layoff process for faculty and staff in accordance with the respective collective bargaining agreements.

A Human Resources task force was created to examine all aspects of crisis and the personnel implications of the RIF decisions in place. After the analysis, and based on the requirements determined, the task force designed a set of tools that were available to deans, directors and department heads. The tools included: a communication plan, an easy to read flow chart, a checklist, sample letters, a RIF matrix to aid in decision making, and a set of frequently asked questions to aid in discussions with employees.

The Voluntary Separation Program (VSP)

The FSU retirement incentive, VSP, was designed to provide faculty and staff who met certain age and service criteria a lump-sum separation allowance for agreeing to retire at a mutually agreed upon date within the year. Ultimately the goal was to save both money and help lessen the impact of the RIF. Several things had to be considered: the scope of financial payout, who would qualify, and how potential candidates would be approached. Several steps took place that ensured a successful VSP. First, administrators had to determine the cost benefit of the program given the budget constraints. Second, age and qualifying criteria were established. Third, queries were run on the number of employees who were past the general retirement age to determine how many people the incentive might impact. Based on those queries, notifications were sent out to their supervisor to assure the qualifying criteria were met and they did not fall into one of the identified exceptions, including having a previously established departure date from the University. Fourth, the University entered into collective bargaining with the appropriate unions to ensure eligible employees were able to participate in the program. Finally, a policy had to be written to ensure the separation was voluntary and mutually agreeable; signing of a voluntary separation agreement; or waiver of liability, was a requirement for program participation. The program policy had to allow for a smooth exit for those employees electing this option while ultimately saving the organization the recurring expense of continued employment. Enrollment in the voluntary separation program had to be explicitly voluntary and available to employees who qualified based on eligibility requirements.

Contingency Furlough Policy

In addition to voluntary separations, furloughs were another option that was created to give administrators yet another tool to control cost. Although furloughs were not instituted campus wide, administrators saw a need to establish a policy and guidelines so they could be implemented quickly if needed.

Employee Transition Services

FSU Human Resources had always assisted employees impacted by layoffs or reductions in workforce. But the service had always been small in scope given that past layoffs and RIFs were less frequent and impacted fewer employees. To accommodate the increased scope of layoffs and RIFs, Human Resources helped develop a cross campus task force to determine what FSU could do for impacted employees. It was determined impacted employees would need counseling and support for themselves and their family, assistance with resume writing and interview skills, and help and services with possible in-placement and assistance with outplacement. These were all services that were in place but had to be more tightly coordinated. From the task force analysis, a budget crisis support committee was established. The committee created a partnership between the FSU Employee Assistance Program (EAP), The FSU Career Center, and FSU Human Resources to create a clearinghouse called Employee Transitional Services. A central website was created where employees could go to obtain information on what services and resources are available to them. In addition, when layoffs were announced by the President of the University, it was also determined that a one stop central contact needed to be established so that an impacted employee would always be able to talk to a live person when they initially needed help. In response, Human Resources established The

Office of Budget Crisis Support Services to enable employees to get assistance immediately. A phone number was designated as the main contact and if no one was available to answer the main line the employee was connected to a live person who directed them to the services available.

Implementation

The implementation of the HR tools, policies and processes coincided with all RIF decisions made with central administration. Timelines were a concern. Each implementation had to be one step ahead of very sensitive and sometimes tentative communications about any layoffs across campus. Each implementation had to be fully developed and able to be tactfully executed prior to any major campus communications. Human Resources had to practice well thought out contingency planning, constant environmental scanning, and a close strategic relationship with senior leadership. Being the person who must decide who stays and who must depart is a tough and emotionally charged task. The Comprehensive Lay-off Model provided an easy to read checklist, a matrix to determine the type of departure the employee will have; preparing the leader for frequently asked questions; and providing a step by step visual map of the process and possible decision points along the way, allowed for a smoother more organized departure for the employee and reduced the anxiety for the dean, director, or department head. In many cases, the model helped leaders distinguish a layoff from other types of departures that might have been more appropriate like disciplinary or performance issues. All leaders who were involved in layoffs and RIFs were given the model to use. The model was successfully and consistently used across campus.

In establishing the Voluntary Separation Program there were several challenges. Absolutely no coercion could even be perceived in identifying those eligible. As a result the voluntary aspect of the program had to be emphatic in all communications. Because the initial cost to the VSP program was substantial, great care was taken to ensure those that applied were truly qualified. This meant making sure applicants were age 70 or older, as of the required program date and not a current or past participant in the Deferred Retirement Program (DROP). They also had to have six or more years of active, continuous, salaried Florida State University service as of the required date. Employees were also excluded if they had previously entered into an agreement with a predetermined employment end date; were not currently 100% E&G funded (the affected funding source); had resigned prior to the program implementation and their resignations had been accepted; received notice of termination, notice of non-renewal or cancellation of employment contract; or a current temporary non/benefited employee. Finally, managing those who thought they might be eligible but were not required some thoughtful communication and information to help them understand the process. Although only 26 people were identified the savings were substantial. Even though furloughs were seriously considered as a cost reduction tool and accepted by some departments as a fair way to reduce personnel cost, it was never fully implemented as a cost saving measure. The option has been kept open, which means if furloughs were used policy and guidelines are established and in place for implementation. This is an example of the contingency planning that has helped to make the implementation of HR tools and processes created for the budget crisis a success.

For FSU's senior leadership, a top priority and critical component of the RIF's process had to be making sure impacted employees were treated with dignity and compassion and given any available FSU resource to make their transition to a new jobs or career easier. There were some challenges in creating the Employee Transitional Services and The Office of Budget Crisis Support Services. One challenge was creating a meaningful clearinghouse that provided services that were relevant and not perceived as a pacification tool to those impacted. With good communication and an emphasis on one to one service for every impacted employee any such perception was dismissed. This was supported by numerous thank you letters and emails to staff who worked with those that took advantage of the services. Another challenge was making sure any critical internal FSU positions that became open and laid off employees qualified for, were made available as an employment opportunity. Departments were ask to give special consideration for impacted employees but were always encouraged to hire the most qualified candidates. Fortunately, many impacted employees were highly qualified for the positions that became open. The last but most fulfilling challenge was making sure that each and every employee who used the service was assigned a HR Employment staff member to assure they received the best coaching, mock interviews, resume writing, referrals to EAP, assistance in networking for outplacement, and immediate notification for any internal posting for which they qualified.

Benefits

Well thought out, focused and well prepared HR tools and processes can mitigate some of the chaos and anxiety during a budget crisis that requires a reduction in force.

Although many of the tools mentioned here have been done in many places, what makes it different in this case is that it was not a wide array of tactics or a reactive shotgun approach but a coordinated, focused and calculated set of strategies. This is what makes it worthy of a best practice. It was made possible by strong strategic partnering between Human Resources and central administration, environmental scanning and systems thinking, and contingency planning. Senior leaders involved Human Resources as a resource in their decision making and kept HR informed of all possible scenarios and any last minute changes in terms of decisions. Environmental scans included an assessment of all the implications- legal, operational, financial, fairness for impacted employees and employee morale. Secondly, the implications were then examined for their relationship with each other to assure that any action would not negatively impact another. Finally, because of the extreme uncertainty of what would happen next due to the legislative process, contingency planning allowed Human Resources to have a series of responses ready if the situation called for it. The contingency planning consisted of HR task forces who researched different scenarios based on the environmental scan and created response frameworks that could be fleshed out quickly if the need arose. This strategic approach allowed Human Resources to stay focused on situational needs and provide organization and coordination while reducing anxiety and uncertainty.

The HR tools and processes produced an overall framework for fairness, order and compassion during a reduction in force. Although there have been some challenges about who was laid off and why, overall those who were notified received a well thought out and dignified departure and individual assistance if needed in transitioning to another job or career. One hundred percent of all impacted employees who used the Employee Transitional Services were given opportunities to apply for positions that became open and for which they are qualified. For example, of the 42 staff employees that had been affected by the budget crisis at the time of this submission, 22 (52%) filled critical jobs at FSU, 4 (9.5%) found jobs outside of FSU through networking with other agencies and making use of the resume writing refreshers and practicing interview skills in mock interviews offered. The staff that has worked with the impacted employees continues to send emails and notes expressing their appreciation for the service.

Opportunities for retirement with generous payouts and contingency plans for furloughs lessen the possibility for further lay offs. In terms of cost savings, there was reduced legal cost by making sure all departure notices were appropriately delivered. Although immediate cost savings were not apparent this year, the university may realize annual cost savings up to \$419,537 through the Voluntary Separation Program in the years to come. Furloughs, if implemented, will also yield savings. Coupled with the tangible cost savings, one of the greatest benefits was helping create a fair and coordinated RIF framework for both FSU and its employees.