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Data Driven Layoffs

How to use Data and Empathy to navigate difficult layoff scenarios

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Introduction

A decade ago, someone discussing "people analytics" would have been met with confusion and silence. HR Data has always had value, but there was a disparity in what companies saw as necessary, things like headcount and yearly attrition, versus finding evidence-based ways to make talent decisions.

Now, different organizations are applying people analytics. Some are just starting to understand the value of analytics in informing their businesses, scratching the surface of what is possible with analytics. While other organizations have fully delved in, building entire teams dedicated to this work.

This understanding of the gap in the HR Analytics space led to the creation of eqtble. eqtble's founders have seen first-hand the critical obstacles many companies still face when implementing people analytics. These obstacles range from a lack of talent to analyze People data, a shortage of simple tools to collect and combine data easily, and a lack of understanding in deciding which data to collect. The founders of eqtble combined their expertise in leading people analytics departments in high-growth organizations like WeWork and Snap with their hand-selected team of designers, engineers, and data scientists to create an easy-to-use software solution.

eqtble gives companies a single solution for collecting, organizing, and analyzing people data to make smarter decisions faster. The eqtble platform takes data that otherwise sits unused – or worse, siloed – and integrates it, giving organizations access to 100s of metrics in one place. This functionality shortens the processing time for data, eliminates the search for data across multiple systems, and enables the discoverability of data trends.. Additionally, organizations get access to templates, benchmarks, and an experienced team who partners with them closely to ensure organizations get the most use of their data.

eqtble believes having the right data at the right time is a critical first step in using people analytics to make the best decisions.

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Foreword

Layoffs.

The word makes the stomach turn, wrapping itself in knots, and causes the heart to flutter. It's one of the core aspects of business people like to avoid, operating under the guise that if ignored, it might go away. Still, layoffs are a fact of life in business. Companies downsize, outsource, restructure, and in some unfortunate circumstances, they close.

The founding team at eqtble is familiar with this process. Many in the eqtble founding team came from WeWork and were members of the people analytics team when WeWork reduced their headcount from ~15,000 to less than 5000 employees.

When a company undergoes a large-scale reduction in headcount, it can be a traumatic experience for the employees asked to leave the organization. Knowing what to do next, where to go, and how to find a new job can be challenging. Additionally, there can be a loss of morale amongst the remaining employees.

Often, employees who have lost their jobs search for reasons why, asking themselves, "Why did this happen to me?" and "What did I do wrong?" The reality is there is no single answer to these questions. It is hard to accept that there may be no single reason for the reduction in headcount, and there may have never been a way to avoid them from happening.

Layoffs do not happen in good times when companies can take a moment to plan before making a decision. They typically occur when companies are not doing well and therefore need to make decisions quickly for fear of their business suffering.

In many cases, in the haste of this decision-making, the way companies lay off their employees can lead to unintended consequences for their businesses for years to come.

This book aims to help guide organizations to avoid these unintended consequences.

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The WeWork experience played a vital role in the decision to start eqtble. The decisions made, both wrong and right, help inform the build of the product. These high-pressure moments were the catalyst for eqtble. A tool that is the source of truth for companies to make data-driven decisions by enabling users to share insights instantly would have benefited stakeholders at WeWork immensely, especially when they had to make difficult decisions by the minute.

Learning from these lessons, the eqtble team created a product that instantly provides insights to ensure each employee is treated equitably and helps a company proactively prepare for the inevitable consequences of large-scale layoffs.

This ebook aims to distill lessons and best practices into an organizational guide. The assumption is prior knowledge of the basics of dealing with layoffs. It is not the intention of this article to be a step-by-step guide on performing layoffs but on how to avoid pitfalls and make the best decisions for the individual employee and the company.

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The Process to Data Driven Layoffs

REDUCE TARGET PAY PERCENTILE

In healthy markets, companies often have to compete for talent leading to a target pay at the 75th percentile or higher. When markets lag, it is fair and expected to shift that mindset and lower the target pay to the 60th percentile or lower, depending on the company's state. Reducing the pay percentile will save companies hundreds of thousands without laying off employees.

It is crucial to analyze appropriate data and prepare for salary reductions. HR leaders should view where employees sit within compensation bands and understand when the last pay raise occurred. In doing so, decision-makers can reasonably assess the overall percentile pay to reduce salaries.

Tangible Tips

- Communicate the salary reduction to employees in advance.
- Do it all at once - reducing the salaries of one department will inevitably lead to other departments finding out and will negatively impact the employee experience.
- Consider different ways of compensating your employees, such as additional equity.

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RETAIN ENGAGED EMPLOYEES

Companies can save a lot of future headaches by identifying the highest engaged employees in the organization and working to retain these employees during the layoffs. Often, companies cut entire teams consisting of some of their biggest culture-adds and promoters. Companies should avoid such a decision as it negatively affects the organization long-term.

To identify the highest-engaged employees, managers should analyze information such as promotion rates, eNPS or percentage favorable scores, performance, and team attrition rates for managers.

Tangible Tips

- Measure engagement among existing employees to avoid laying off the most engaged employees.
- Do not default to using only eNPS to measure engagement; it is a one-size-fits-all question that does not capture the complexity of individuals.
- Avoid communicating anything along the lines of laying off only the lowest-engaged employees.

AVOID CUTTING ENTIRE DEPARTMENTS

When companies need to cut a lot of spending in a short time, they often resort to cutting entire departments. It might seem like a quick way to get the workforce numbers to where they need to be as an organization. However, the ripple effects of removing an entire department vs. an individual are often far-reaching due to the connector and network effects that groups of individuals have. Leaders often fail to understand the reach and productivity gains that an entire department contributes to the company ecosystem. Such broad sweep eliminations can negatively affect productivity and engagement for the rest of the organization.

Specific teams are conduits enabling other teams to contribute to the direct bottom line. Therefore, leaders need to pay attention to the interconnectivity of departments.

Tangible Tips

- Try utilizing existing surveys such as engagement or exit surveys to understand how teams contribute to one another.
- Not every department, such as HR, directly impacts the company's bottom line. However, they are still a strategic function and can be critical to employees' happiness, engagement, and overall success.
- Cutting large departments all at once could overwhelm the People team and disrupt productivity for other interconnected teams. As a result, if leadership decides to carry out these broad sweeps as a last resort, preparations beforehand are vital. Aligning details, understanding the effects through data, and planning for the potential repercussions are crucial steps in the process.

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REALIGN EMPLOYEE INCENTIVES

Headlines about lavish bonuses, employee retention bonuses, and employee acquisition bonuses have become commonplace for companies attempting to bring in the best talent or keep the team intact. Using such tactics to attract and retain talent when the company is in a growth state is understandable. However, now that the company is in the reduction phase, it is crucial to realign incentives and eliminate or reduce bonuses accordingly.

Combining bonus data with engagement, productivity, and performance data can give a company valuable information to accomplish this goal. This analysis helps align incentives and reset bonuses based on current data.

Tangible Tips

- Be okay with upsetting some higher-paid employees by reducing their bonuses.
- Do not offer executives knee-jerk retention bonuses without evaluating the total salary spend.
- Note that sales and marketing will often need to be excluded from this analysis because most of their pay is variable.

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AVOID ADVERSE DEMOGRAPHIC IMPACT

Demographic data is a must-have when evaluating which employees to lay off to avoid unintended consequences. Not analyzing this data appropriately by conducting an adverse impact assessment can lead to severe organizational issues and legal challenges in some instances.

Often, it is difficult for companies to aggregate the planned terminations information with DEI data, but eqtble makes this process seamless. Analyzing DEI data against the planned terminations will prevent leaders from making decisions that lead to adverse impacts on minority groups.

Tangible Tips

- Be thorough in the analysis, ensuring the correct employee data. Self-ID is usually the most accurate.
- Start this process from the beginning.
- Set up an easy-to-use dashboard that acts as a command center and tracks ongoing activity so leaders do not miss any potentially harmful actions.

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TRIM TOP HEAVY TEAMS

When a company is a startup, it is often populated with individual contributors (ICs) because there is not much capital or need for management. As a company grows, the organizational structure is defined, employees get promoted into managerial positions, and teams start to grow. The consequence is that organizations typically move from a pyramid-like structure with very few managers to an upside-down pyramid with many managers and few ICs.

It is essential to evaluate the manager-to-IC ratio and assess where there are teams that can consolidate under a single manager. In this scenario, leaders should analyze data on managers' tenure, attrition rate by manager, and performance of select managers, so the consolidation is moved under the best managers.

Tangible Tips

- Talk with remaining employees to learn what will help them most during this transition.
- Removing a manager can disrupt a team's productivity; monitor employee engagement and attrition to stop any significant ripple effects.
- Do not default to consolidating under the most tenured managers; they are not always the highest performers or the most engaged.

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RESCINDING OFFERS & HIRING FREEZES

It is essential to be consistent as a company; therefore, it makes sense that leaders would halt hiring as layoffs are happening. Such a decision includes applying a company-wide hiring freeze and, only if absolutely necessary to the survival of the company, could include rescinding offers.

Leaders need to monitor hiring activity by sharing data on open jobs, extended offers, and any other hiring activity to ensure the hiring freeze is effective. Implementing a hiring freeze prevents the company from appearing two-faced and damaging its internal and external reputation.

Tangible Tips

- Rescinding offers can put applicants in a challenging position because they have probably already given notice at their old job. Such a move means that the applicant is technically jobless; therefore, help them find new jobs by building an external job board and referring them to other organizations looking for such a role.
- Take down all open jobs from the company's job board.
- Understand that applying a hiring freeze will cause high voluntary attrition within the recruiting team because they will not have much work to do.

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BEST PRACTICES

Communicate Early and Often

When it comes to communicating about a layoff, it's important to communicate early, communicate often, and communicate clearly.

Practice Empathy

For companies working in the office, conduct layoffs in person; for remote teams, make sure managers meet 1:1 with each affected person.

Don't Rush the Decision

When faced with an impending layoff scenario, the natural inclination might be to get it done as soon as possible. Avoid this inclination. Layoff decisions require slow, deliberate & thoughtful discussion, patience, and, in most cases, a great deal of research and discovery.

Do It All At Once

Do not trickle fire. When the organization has finalized who to lay off, letting employees go around the same time is the most effective and humane way. Extended layoff periods cause many distractions and confusion within organizations.

Support After Layoffs

Support is critical after layoffs. Employees should not feel cut off from help and support after layoffs. Provide resources for those still at the company and those the company had to lay off.

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Summary

Layoffs are the last thing any organization wants to face. At eqtble, several employees have experienced this difficult process personally. In sharing these lessons learned, the hope is to inform and support current and future leaders with the tools needed to create a humane transition period.

There is no perfect formula for how to conduct layoffs. No matter which way it happens, it will be difficult. However, using empirical data and analytics enables decision-makers to make the best decision for their organization.

Furthermore, data and analytics during layoffs can save time and energy on the choice of personnel, the hassle of losing key employees, and, most importantly, the risk of making the wrong decision.

eqtble works to help companies make more informed decisions, improving their workforce and bottom line. Efficiently and seamlessly, eqtble provides companies with their data, enabling decision-makers to be as knowledgeable as possible. Access to data collected and presented clearly and meaningfully saves decision-makers time and effort, allowing them to focus on the choices and roadmaps.

Reach out to eqtble to learn more about data-driven decision-making. eqtble has a team of experts with a proven track record of helping businesses aggregate different HR systems and reducing time to insights. With eqtble, organizations can focus on the areas that matter most to the company.

What next?

Analytics doesn't stop following a RIF. It's essential to keep an eye on the organizations' people metrics post-RIF to understand and measure the impact of the RIF across many different categories.

This section gives a suite of metric categories for an organization to track.

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ATTRITION ANALYTICS

Metric	Key Questions	Required Data
Ripple effect on voluntary attrition pre vs post-RIF	Is there a significant uptick in voluntary attrition post-RIF?	Termination info
Trending direction over time post-RIF	8-32 weeks post-RIF, is there a downward trend?	Termination info
Reason Codes	Are the reasons for attrition changing post-RIF?	Termination info Termination reasons Exit survey
Exit survey eNPS	Did the eNPS survey scores for the employees that voluntarily left post-RIF decrease significantly?	Termination info Exit Survey
High Performer voluntary attrition	Are your high performers leaving as a ripple effect of the RIF?	Performance data Termination category Termination info

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RECRUITING ANALYTICS

Metric	Key Questions	Required Data
Cost of Hire	Has your cost of hire increased 8 to 32 weeks post-RIF?	Hiring info Compensation info of talent team to calculate the cost of hire
Offer Acceptance Rate	Has your offer acceptance rate decreased significantly post-RIF?	Offer info
New Hire Retention Rate	Are the reasons for attrition changing post-RIF?	Current employee info Hiring info
Time to Fill	Did the eNPS survey scores for the employees that voluntarily left post-RIF decrease significantly?	Job info Hiring data Number of recruiter info
Time to Start	Are your high performers leaving as a ripple effect of the RIF?	Offer accepted date and start date
Withdrawal Reasons	Have the withdrawal reasons changed pre vs post-RIF?	Offer withdrawal reasons

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MANAGER ANALYTICS

Metric	Key Questions	Required Data
Manager to IC Ratio (Avg. Number of Direct Reports)	How did the reporting structure of your organization change pre and post-RIF? Did the average direct report number change from (1 manager to 4 Direct reports) to (1 manager to 10 direct reports)? How has the engagement of such a team changed post-RIF?	Manager data Current headcount data
Diversity Levels	Has the number of women in leadership changed pre vs post-RIF? Are the number of women leaving the organization significantly higher post-RIF than Pre? Are the average number of PoC within the organization significantly lower post-RIF? Are there significantly higher numbers of PoC leaving post-RIF?	Diversity data Current headcount data Termination info

ENGAGEMENT ANALYTICS

Metric	Key Questions	Required Data
Remaining employees eNPS	Did the eNPS scores of the remaining employees reduce significantly post-RIF? Are they getting back to pre-RIF numbers over time?	NPS survey Current headcount data
High Performer eNPS	Did the eNPS of your high performers who remained reduce significantly post-RIF?	Performance data NPS survey Current headcount data

COMPENSATION ANALYTICS

Metric	Key Questions	Required Data
Compa-Ratio (Pay-band structure)	Is there a significant change in the Compa-ratio of certain teams pre vs post-RIF?	Compensation info Current headcount data
Pay Gap	Could a pay gap for women or PoC be introduced post-RIF as a function of a change in team structure?	Compensation info Diversity data Current headcount data

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