



Optimize workforce investment
and transition your workforce
beyond the crisis

Introduction

COVID-19 is causing a great deal of uncertainty and raising issues that require a thoughtful, people-first response. Billions of workers across the global workforce have been affected as a result of the pandemic.

Organisations need to respond to decreasing demand and changed ways of working. The current outlook shows that reorganisations are increasing in their frequency and intensity around the globe, with an expected spike in the next 12-18 months. Inevitably this comes with the need to manage workforce transitions as a result of organisation transformation decision.

This particular crisis is unprecedented in its global spread and impact on every aspect of our lives. However, prior economic downturns and pandemics can provide us with valuable experience regarding workforce management in times of crisis. Prior economic slowdowns have led to reduced workforce utilisation followed by immediate actions to reduce costs, maximise liquidity, achieve stability and capture savings to avoid further deterioration of the business. While organisations recognised the importance of workforce management during crisis, financial short term priorities dominated the decision process for how to deal with the workforce. Therefore mid- and long-term workforce planning often wasn't integrated into all levels of the crisis management approach.

In one of Deloitte's recent [Global Human Capital Trends reports](#), canvassing 10,000+ executives, we showcased a profound shift facing business leaders worldwide since the last economic downturn. Organisations today are increasingly

judged on the basis of their relationship with their workers, their customers, and their communities, as well as their impact on society at large. This has led to the rise of what we call the social enterprise. Consequently, people today expect organisations to be more than a responsible employer, and for them to play a constructive role in their communities and in society as a whole. This requires you to consider not only your business case but also the moral case in your workforce transition.

In moments of uncertainty and concern, it's not only what you do but equally how you do it that matters. It is important to remember that we have faced crises like this in the past, and can learn from this experience to face others now and in the future. Deloitte has a wide range of experience in this field and we recommend the following five best practices for your workforce transition strategy.



Use analytics to optimize your workforce investment

Crisis management tactics too often depend on across-the-board reduction targets, leading to suboptimal choices where cost reductions result in business value loss. In this digital age you have tools that allow you to use data science and predictive analytics to make smarter decisions about your workforce and labour spend. We strongly recommend to do a total workforce spend analysis using a single and consolidated set of data with easy visualisation of analyses. This allows for common understanding of the workforce investment and will facilitate collaboration across the C-suite to make strategic decisions to maximise ROI on workforce spend.

A first step is to collect HR and Finance data, business and workforce metrics and combine these into a single source of truth. While doing this, make sure to include the full workforce: not just your employees but also your flexible “off-balance” workers (contractors, freelancers, gig and crowd workers). In order to begin modelling, it is important to

determine how the workforce should be segmented and which elements of the total [Human Capital balance sheet](#) to include in the cost reduction hypotheses. By analysing from the lenses of spend, value and risk your cost numbers can be combined with insights on how your workforce investments drive organisational performance. There are numerous opportunities to reduce cost, each with its own benefits, complexity, sustainability, and timing. The workforce transition program may differ per country, depending on local regulations, national COVID-19 measures, and common consultation practice. In Table 1 we present a list of workforce management options that support cost transformations. Not all of them involve an actual workforce transition, but we usually consider all of them in the process of deciding what workforce transition measures are required. To shape the actual workforce transition program we would assess these possibilities against savings potential (cost and headcount), legal compliance, consultation

complexity and implementation effort.

Don’t forget to assess the short-term cost of downsizing (statutory transition payments, social plan stipulations, employment tax consequences and employer final levy). This can add up to a significant transition cost, so it should be factored into the business case. Involve the right experts from Finance, Tax and Legal to determine the optimal financial solutions early in the transition planning. You could also examine your organisation’s tolerance for temporary compensation cuts as an alternative to layoffs. When your leaders lead by example, it can even enhance the sentiment of solidarity in your organisation.

Table 1. Cost transformation options for short-term response

Workforce optimisation	Productivity optimisation	Spend Optimisation
<ul style="list-style-type: none"> Adjusted holiday entitlement schemes Review paid and unpaid leave policies Reduce or stop recruitment Reduce flexible workforce Provide part-time choices Re-allocate workforce to growth areas/ critical segments Involuntary furlough Voluntary reduction in force (attractive severance, early retirement window) Involuntary reduction in force (collective layoff) 	<ul style="list-style-type: none"> Optimize learning programs (reduce mandatory and scheduled training, increase self-study material) Defer/ eliminate performance management Increase spend in workforce engagement (child care, wellbeing) 	<ul style="list-style-type: none"> Travel, meetings and events Overtime policy Salary freeze or reduction Defer bonus payments (and other profit sharing) Reduce or freeze employee benefits Reassess talent investments such as learning programs Total Rewards revision Reduce /eliminate recognition spend Revise contracts with 3rd parties for flexible workforce Social plan revision

Your ability to protect key talent determines future success

While part of your workforce strategy focuses on downsizing and reduction of workforce, an equally important part of the strategy needs to focus on talent retention.

[Deloitte's longitudinal study](#) into the talent management trends and attitudes following the global economic crisis of 2008 found that reducing employee headcount was the top talent priority. Even employees with critical skills filling key roles were at risk of losing their jobs. Such drastic cost-cutting negatively impacted talent management in the long-term, and when businesses bounced back they had to hire and contract back a big portion of the workforce they had just lost, often at great expense.

This time we also see that executives are very focused on cost-cutting initiatives. Although the crisis requires immediate right-sizing of the workforce, we warn against a simple accelerated cost reduction exercise. This crisis demands cost- and resource-flexibility by design, enabling businesses to rapidly bounce back as conditions fluctuate, stabilise and improve. Scenario thinking can help prepare for a future no one can predict, and clarify the potential implications of workforce management choices.

The starting point for your talent retention strategy is a workforce segmentation analysis, where you identify segments to define their specific talent needs and measures. This applies as much to your employees as your [alternative workforce](#), since your business continuity may depend on critical processes or skills in your pool of flexworkers or contractors. The first

characteristic of critical workforce is their impact on the value chain (e.g. strategic impact). COVID-19 has given new insights into what roles are mission-critical. The second characteristic is the availability of their skillset. Replacing lost employees is costly (either by external recruitment or internal development) and takes time, so you need to evaluate that cost in light of the likelihood of future ramp-ups. What if you're thriving in 18 months' time – which roles will experience a higher demand? And how do you expect this demand to develop over time? Leading-edge organisations are doing workforce segmentation not on roles but on work packages: they focus on skills instead of roles. This helps to plan for necessary upskilling and redeployments.

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Plan ahead for cyclical labour-swings

The COVID-19 crisis is unique in the sense that we can expect recurring temporary labour-reductions in the next waves of the COVID outbreaks. Many organisations are planning for the possibility of multiple waves of the pandemic and its continuing global footprint. It is therefore of the utmost importance to develop a sustainable workforce transition plan that not only addresses short-term needs but already takes into account cyclical up- and down-scaling of your workforce. There are three important workforce levers to make your workforce more flexible.

Internal-to-internal

The first is what we call internal-to-internal: through rapid reskilling and upskilling programs and flexible talent pools you can temporarily move staff between departments to where the demand is highest. To do this, it helps to break down roles into tasks and skills to allow for rapid matching of relevant skills available to critical tasks.

External-to-internal

The second lever is external-to-internal: leverage the skills and capacity in your ecosystem by increasing the flexibility in contracting types (flex, freelance, gig workers) for sudden fluctuations in demand or during hiring freezes. Deloitte is helping organisations such as House of Skills and their

ecosystems to develop innovative workforce strategies for intersectoral mobility of employees.

Internal-to-external

The third option is internal-to-external where you match your pockets of excess workforce to the external marketplace in a cross-industry talent exchange

There are great examples in the news where COVID-19 has led to creative new employee sharing plans, such as Aldi 'leasing' McDonalds employees on a temporary and voluntary basis following their own employment conditions in Germany. The Dutch city of Tilburg has launched a platform where companies with excess supply can match up with companies who have temporary demand for workers with similar skills. This way organisations can help each other in cases of sick employees, sudden surges in demand, and hiring freezes. Deloitte is helping other organisations and their ecosystems to develop innovative workforce strategies for intersectoral mobility of employees

Include these options in your workforce planning to purposefully decide how and when you scale up and down using which methods, and design specific employee experiences for them. Right-sizing the organisation requires thoughtful organisation design to really increase efficiency rather than the 'salami-slicing' approach. Even if it is just a case of reshaping the surviving structure, you need to adjust your roles and responsibilities and update the governance to ensure effective decision-making. The biggest

challenge organisations will likely face in the recovery is the tension between preparing for a return to previous activities and routines, while also embracing a new reality. In times of great uncertainty, we advise clients undergoing these shifts to also focus on becoming more [adaptable organisations](#) and on building resilience to overcome current and future crises.



Specialised legal counsel is an absolute necessity

Workforce transition is a challenging process that requires management of risk and regulatory compliance. This is especially complex if your organisation spans several countries, each with its own local regulations, consultation partners and COVID-19 measures. You need a team specialised in workforce transitions to ensure your organisation is protected against unwelcome claims. Based on our extensive experience in managing workforce transitions in crisis we offer six requirements:

1. Legal workforce impact

Create your legal workforce transition framework (by country or legal entity) that stipulates the full set of legal requirements including minimum notice, redundancy selection procedures, severance pay, and outplacements programs. This is based on the combination of local legislation and regulation, collective labour agreement, applicable social plan and individual employment agreements.

2. Consultation strategy

Depending on the size and geographic spread of your organisation, and the level of unionisation in your sector, you may deal with several consultation parties at once, each with their own process and (often lengthy) timelines. Develop a consultation strategy that clearly specifies which consultation partners to involve and how. In many countries Works Councils have a legal right to give prior advice or consent, without which the employer cannot implement his preferred scenario and the decision can be appealed in court. If it concerns the change of a scheme related to working hours or

remuneration, the prior consent of the Works Council may also be needed. Involve the trade unions to create collective arrangements and provisions for employees as part of the social plan if a collective labour agreement applies to your workforce. Even if not legally required, it is sometimes better to engage with your consultation partners because it can help ensure a smooth implementation. Involve them at an early stage and be clear why this scenario is needed to support immediate liquidity and business continuation.

Workforce transition is a challenging process requiring a specialised team to ensure your organisation follows correct procedures and is protected against unwelcome claims

3. Individual consent of the employee

When you implement short-term measures (like forced leave, pay-cuts, reduced working hours) to avoid temporary or permanent layoffs you have to keep in mind that the individual consent of the employee might be required.

4. Regulatory incentives

Monitor and optimize the use of regulatory incentives implemented locally and regionally such as temporary emergency bridging measures aimed at job retention. For example, in the Netherlands it is possible to receive a subsidy up to 90% of your salary costs based on

your revenue decline. Handle these based on applicable government employment standards when temporary layoffs become permanent. Regularly reconsider these options as circumstances change frequently while the crisis unfolds.

5. Talent selection

Design legally sound talent selection processes and principles using your legal workforce transition framework and consultation strategy. As an example, in the Netherlands there are strict rules with regard to talent selection processes in the case of redundancies, because the reflection principle must be applied. Consequently it is important to consider possible implications for the transition process when designing your to-be organisational structure

6. Legal assurance

Provide legal assurance on formal documentation such as termination letters, employee communication and transition administration are in line with the legal workforce transition framework.

When people are in crisis mode they can feel like 'playing by the rules' is a luxury they cannot afford, and the situation demands cutting corners. Especially people with bad past experience of lengthy consultation processes or complex legal cases can try to cut corners. It can come from the best intentions of trying to protect your best talent and making it through a difficult time. As leaders you need to make sure the correct procedures are followed, and work together to develop innovative processes to fast-track consultation.

Transition the workforce with compassion

Every workforce transition is an impactful experience for employees. Leaders need to pay careful attention to how people are coping with the new situation and take corresponding measures to support. Focus on the basic needs of impacted employees: providing (enough) money and the perspective of a new job. The basic need for impacted employees is to be compensated for the loss of their job. Offering a financial compensation package that is competitive and fair must be the primary focus. In addition, other termination package conditions like tax benefits or the possibility of smartphone retention will be valuable for impacted employees. The primary focus of most impacted employees will be finding a new job. You can assist by offering outplacement services or actively mobilising potential external employers in your ecosystem.

Reinforcing your commitment to the well-being of all employees will help sustain effectiveness over the potentially long period of time that this crisis can last. Workforce sentiment metrics (such as employee engagement, health and safety, psychological wellbeing, retention and worker preference) can help you measure how employees are doing and what their needs are. You should be prepared to deal with increased absenteeism, decline in morale and even work refusal. This is true for the workforce that is at risk or has already received notice, but also for the surviving organisation. There are many targeted interventions to boost the employee experience and improve employee resilience: relax

performance management, enhance wellbeing subsidies, provide childcare options, create engaging virtual communities, offer leadership availability, organise job fairs, etc. But most importantly you need to show up for your people and show sincere interest.

Carefully manage the difficult trade-off of the human impact; some workforce segments are more impacted than others, but acting consistently is easier to communicate and defend. Regardless of what difficult workforce decisions are made, the crisis narrative communicated must be transparent, timely and delivered with compassion. Align your leaders to the narrative and ensure they are engaging regularly with the workforce. Assess what type of preparation your leaders need to deliver the news to their teams, based on how much experience your organisation has in workforce transitions. Regardless of your experience level, you need a good communication plan for leadership, HR and line managers so they are

clear on the key messages for the critical milestones of the transition. Carefully offer a mix of engagement options for your employees, especially when face to face is not possible. At the end of the day, this is a unique moment in history where communities are especially looking to businesses to keep people and their families afloat.

Start your transition

Workforce transitions require careful workforce management with a multi-disciplinary taskforce that includes the C-suite, HR, Finance, Legal and Communications. It is a complex transformation program that should not be underestimated, but if handled well can really set your organisation up for success. Recovering from this immediate crisis could be the accelerator in the move to the workforce of the future.



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