

Outplacement: what is important?

While the term 'outplacement' is universally understood, there are wide variations in price and in the substance of what is on offer. Kate Donaghy and Michael Webber identify the components of outplacement programmes to help those advising clients on what to look for in contracting for outplacement support

The variables in outplacement

The first thing to look at is the range of main variables of service, which are:

- price
- period of access to the services provided
- access to databases and research
- degree and nature of consulting provided
- the experience of consultants involved
- the option for the individual client to choose provider
- access to office space.

Price dictates all

Price tends to dictate all in terms of the service provided, and while the budget on offer is generally determined by remuneration level, there are many exceptions to the rule.

The majority of clients will be offered a budget ranging from £3,000-£12,000. Within this band there is great variation of service provided. Beyond it, there is a mezzanine level of service where pricing ranges from around £12,000-£20,000. This is geared towards 'senior executives'. No definition of that group exists but the assumption of the outplacement providers is that such service levels are appropriate for people earning salaries in excess of £80,000.

A small number of clients, generally those at board level or similar, may be eligible, on negotiation, for services priced above £25,000, and for some as high as £50,000. The variation in style and service provided at this upper end is also considerable.

The substantive difference between the service provided at the two extremes of price can be characterised as the difference between: at the less expensive end, a contract for a range of defined services, on a group basis, provided for a limited term; and at the higher end, an agreement to provide tailored consulting services to an individual client, generally without a specified term. One needs to determine what is provided in all instances, especially at the lower end, given the limited resource on offer. As a rule of thumb, at the upper end, the focus should be on the profile of consultant who will be engaged, as the consulting element is so much greater.



Kate Donaghy and Michael Webber:
Manchester Square Partners LLP

Where the consulting input is greater, and the term of the contract is generally unlimited, the professionals concerned describe their activity as 'senior career advice'.

However, in a compromise agreement, the words 'outplacement counselling' should be clearly stated in order to gain the relevant tax benefits. As long as the service provided is bona-fide outplacement counselling, we are not aware that HM Revenue & Customs applies a cap to the income tax exemption benefit, which is the equivalent of the payment of legal expenses under a compromise agreement.

There are however a number of other conditions which must all be satisfied in order to take advantage of this exemption. These are:

- the main purpose must be to enable the employee to adjust to the termination of employment or to find gainful employment
- the services must consist wholly of giving advice or guidance, imparting or improving skills or making available the use of computer or other facilities
- the beneficiary must have been a full-time employee for two years ending when the services begin or, if earlier, when the employment ends
- the services must be available to all employees or a particular class of employees, therefore it will not be available if the service is negotiated as a special arrangement with one employee (unless that employee could be considered a separate category).

Period of access to and nature of services provided

All providers structure their programmes differently. At the lower cost end, any term less than three months is sub-optimal. In this time, the client needs to: adjust mentally to

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new circumstances; consider their overall situation; what kind of job to pursue; identify where opportunities are likely to exist; draft a CV to present to the market and then access the recruitment market using database information on intermediaries and advertised opportunities.

Technically, this can be done in one month, but three months' support allows for better quality of analysis and survey of the market. New roles achieved in less than three months are infrequent. When programmes around the £3,000-£5,000 range are on offer, clients should seek to insist where possible on a minimum of three months, with six or more months being ideal.

As a rule of thumb, programmes in which less than eight to ten hours of face-to-face consulting is available are going to be of limited value, particularly to a client who may have an issue in being suitably re-hired. While those hours can be well spent, it is a statement of the obvious to say that advisers should seek to obtain programmes for their clients where more consulting time is available.

Access to databases and research

This is the area of probably least variation between providers and programmes. At the lower end of the range, the relevant databases relate to the recruitment industry. Certain providers' IT capabilities are stronger than others and allow for greater tailoring of service. The main online job sites are publicly available.

The added value to look for in a provider is the software capability to search across all of the major job-boards against a client's individual criteria with daily alerts. Where differentials between service levels exist, they will be in access to specialised subscription based data, press archive and financial databases. The more expensive outplacement services support individual clients with an expert research manager or team providing bespoke research.

Degree and nature of consulting services provided

As well as access to online job boards and information on recruitment firms in the relevant sector(s), CV writing and interview technique tutorials are important. In the £3,000-£5,000 bracket these will often be online. Again all providers differ, but, where possible, face-to-face consulting on a client's presentation of their particular skills is of great value and should be argued for. Providers are unlikely to be able to offer much 'face time' at fee levels below £5,000. Group workshops can be effective and are frequently used in combination with individual sessions.

Where 'insourcing' is being provided, there may be more individual time provided than elsewhere at comparable price points. This is generally in large-scale redundancy situations where an outplacement firm acts as an internal resource to the company, creating an internal job centre, enabling more resources to be made available to the client.

At prices above £5,000, the value delivered will increase in line with the term of the contract; the number of consulting hours on offer; the level of personal interaction; and the nature of group interaction on offer – workshops and client networking.

As one progresses along the price curve, the service becomes increasingly a bespoke consulting process determined by the specific needs and preferences of the individual, as opposed to a more process-driven approach. At the top end of the fee range, the higher fee is based on the expectation that there will be unlimited consulting input; greater consultant insight into individual client situations; expert advice given on strategy and tactics; and a certain 'oiling of the wheels' of access to senior head-hunters, private equity firms and board members.

The experience of consultants involved

This is one of the most important parameters of relevance for senior individuals and is relevant when a client has choice in which provider with which to work.

When referring a client to potential providers at the senior executive level, the factors to look for in a consultant are a sense that the consultant will be able to add value in terms of judgement of the market and dynamics of senior executive groups. Detailed personal knowledge of the relevant recruitment market can also be very helpful. If consultants have recruitment industry experience, they will know how their counterparts work and how they want to be presented to. They may also have long-standing relationships with senior search professionals, company chairmen, CEOs and HR directors.

The element of choice of provider

Typically, this is only offered to individuals in senior professional or managerial roles with a budget of £15,000 and above.

Senior executives may well be offered packages below this fee level. While not always the case, they are unlikely to find the services provided at lower fee levels particularly valuable to their decision making in many respects. Faced with this, some clients choose to top up the price differential between the corporate budget and the cost of the client's preferred

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supplier. A practical option for the senior executive is to talk to a range of providers at the upper and middle end of the market and make their own call as to where they believe the consultants will add most.

It is crucial that clients do not contract with an outplacement firm in the belief that the firm is going to get them their next role. It would reward clients to check with a potential provider how they would define success. If clients think that contracting with a particular firm is going to allow them to put less effort and thought into the process, they are likely not to achieve their outcome.

Access to office space

This is a strong selling point for many providers, except at polar ends of the market. Where it is not provided, the rationale for not doing so is largely based on cost – for self-evident reasons where the fee is lowest, and on overhead costs at the very top end. Given the unlimited duration of the contract and the locations in which the most senior firms are located, the costs would become oppressive.

Loss of infrastructure can be a very substantive issue for all clients. When office space is not on offer, early advice to a senior client is that they find an office or desk with peer group network contacts where they will be among peers and thus remain ‘in the flow’.

Differing client situations

Where the choice is at the senior end of the market, the differential factors are largely qualitative and therefore it is difficult for an adviser to distinguish which might be the relevant provider. Below are a few of the situations which clients frequently present and some pointers as to which kind of provider would provide value:

- “I have a mortgage and kids. I need to get another job with at least the same remuneration as quickly as possible”
- “I’ve been really successful to date, I have something of a financial cushion but still need to earn to provide for the future. I’m also still hungry for achievement and want challenging and satisfying work to do. I will probably take

another role in line with my last, but, given the opportunity, would like to think about my career properly for once”

- “I’ve been on the executive board and know that, rightly or wrongly, I’ve now got some issues around my reputation. I’m financially secure. I’m still hungry for achievement, and would like to build more capital, but I’m not sure how I’m going to find the right kind of engagement. I’m also not as well networked as I’d like to be”
- “I’m at the top of my game and my field. I am financially secure. I know that I want to get out of my present role/sector and possibly make a complete change in the direction of my career. Problem is, I don’t know in which direction or how to get there.”

In the first situation, irrespective of budget, clients should focus on access to quality data. They will be adequately or even best served by a firm whose focus is on process, even, but preferably not, at the expense of depth of consulting input. Availability of data in the form of relevant databases, recruitment boards and access to recruiters is key.

In the other three situations, the emphasis should be on adequate access to data and process, but, as one’s desire to consider and possibly change direction increases, so should the emphasis on the ‘chemistry’ match with a consultant and an appraisal of their market insight and the range and seniority of their network. Evidence of a strong consulting process is key. Given freedom to choose, researching the field pays off. At its best, outplacement for senior executives becomes a very personal relationship and so it is important to feel a high level of trust in the consultants’ and firm’s record as well as empathy with the person or people who will be undertaking the consulting.

As with most other professional services, there is a direct link between the fee level and the benefit to the client. We have attempted to identify the key elements that need to be reviewed in evaluating what type and fee level of outplacement services should be sought for in supporting clients most effectively.

Kate Donaghy and Michael Webber, Manchester Square Partners LLP