# H4 Consulting Brief

# The Reality of VRs

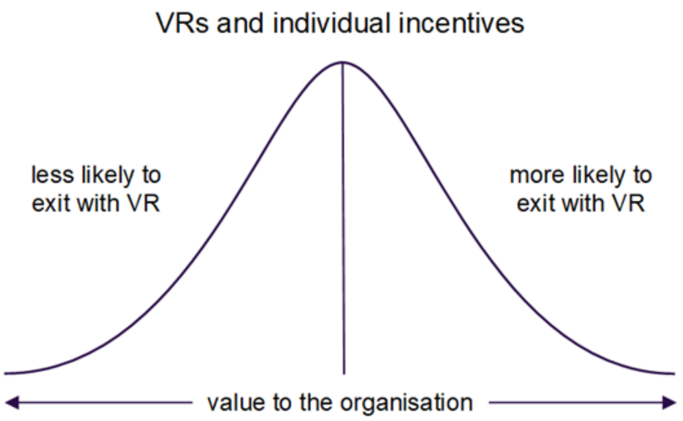
**Voluntary redundancies (VRs) are commonly used to achieve 'head count' reductions imposed on publicly funded organisations. The stated goal is to reduce positions or skills that are no longer needed in the same numbers, but many people accepting VRs are high-performing workers with essential skills who are confident taking those skills elsewhere. Seeing great people take a leaving bonus is frustrating and creates long-term capability challenges.**

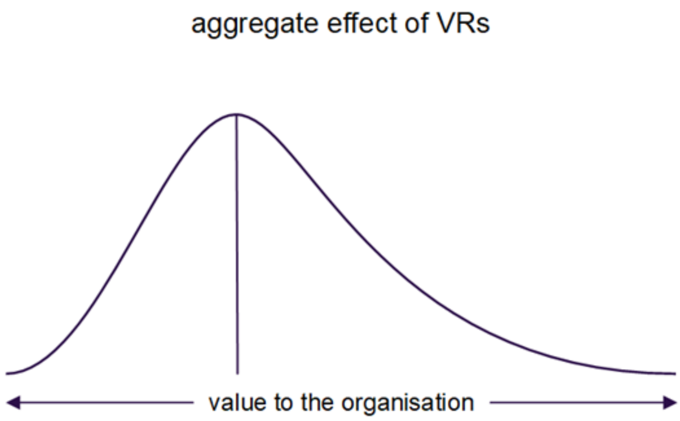
Publicly funded organisations under pressure to reduce their headcount quickly will often redraw organisational structures and identify roles to be made redundant in the future operating model. They face tough choices and industrial constraints, however, when identifying which individuals will be retained, and which will be 'excess'.

Organisations want to retain the best talent, to maximise the public value created by a smaller workforce. Capable workers, however, may have transferable skills and be incentivised to take a VR, confident of finding other employment quickly. Less capable workers may be less mobile, and more motivated to stay. In unionised environments, these workers may fight to be retained by the organisation.

This means that, when organisations invite people to volunteer for redundancies, the employees they most want to retain can be the ones most likely to leave. This tends to deplete the talent pool of essential skills and people who are contributing disproportionately to the strategic goals of the organisation. This can leave high performers who choose, or are chosen, to stay, feeling overwhelmed and demotivated by the responsibilities that are left behind.

In the long term, the cost of replacing talent and skills lost to VRs, sometimes by hiring back the same person at a later date, can be greater than the saving generated by reducing headcount. The cost of redeploying and upskilling the retained workforce is also not usually factored into decisions about VRs.




Seeking blunt headcount reductions while trying to minimise industrial risk by offering VRs can result, on average, in a reduction in the quality and relevance of workforce capability. An alternative, more time consuming, and industrially riskier approach would be to develop a clear picture of the organisation's current capabilities and its needs over the next five to ten years. Redundancies should be offered only to those workers whose capabilities and performance do not, or cannot easily, fit future needs.

This would ensure that organisations identify people and skills that are truly redundant as well as people who can be readily upskilled or reskilled. Overlaying this perspective with a performance view can also help to identify which workers should be offered incentives to leave, be upskilled and redeployed, or be retained.

Decisions to reduce worker numbers are difficult and there can be a strong temptation to take the path of least resistance, paying talented people to exit quietly with a VR. Although easier in the short term, this approach imposes hidden costs on the performance, capability, and culture of retained teams over time.

A better approach is to take the time to identify which workers will generate less public value over time, with reference to both their skills and performance, then incentivise only those workers to exit the organisation. Working collaboratively with unions to maintain and optimise operations in times of change can also help to reduce short-term costs as well.

The reality of VRs is that public value is compromised when organisations try to meet efficiency goals by incentivising their best workers incentives to leave.

To find out more about how you can use this approach in your organisation, contact us: info@h4consulting.com.au
Find additional resources at www.h4consulting.com.au/resources

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