



PERSPECTIVE

# Economic Pressures and the Trickle-Down Impact to HR



Preparing  
for Employee  
Separation



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During the pandemic, organizations across the globe experienced opposing occurrences. Some shut down, while others surged in growth and ramped up their hiring efforts. However, some industries may have pivoted too quickly, and are now seeing what some are calling the “Forced Resignation” (i.e. layoffs and hiring freezes). In recent weeks, a broad cross-section of companies across all sectors have announced layoffs or plans to limit hiring amid the economic uncertainty. For example:

- The tech industry is experiencing hiring freezes, a slowdown in hiring, and some are even revoking job offers.
- Coinbase claimed they “grew too quickly” according to Coinbase Founder and CEO Brian Armstrong’s blog post announcing they are cutting their workforce by 18%.
- The real estate industry is moving to layoffs due to rising interest rates and mortgage demand falling to its lowest level in over two decades.

While economists are not ready to say this will happen across all industries, there are clues that the effects of inflation are beginning to spread more broadly.

## FACTORS IN EMPLOYMENT

There are multiple factors causing labor changes in the marketplace. Here are a few toward the top of the list:

1. It is no secret that the U.S. is seeing rapidly increasing inflation rates as high as 9.1% as of June 2022. Some markets such as gasoline, energy, and natural gas are seeing much higher increases.
2. High inflation rates and interest rates are [changing consumers’ spending habits](#), affecting revenue for organizations who then have to make adjustments to counteract changes in profitability.
3. Business growth is starting to slow because of the change in profitability and labor costs are increasing due to inflation. This combination is pushing companies towards rescinding job offers, layoffs, and hiring freezes.

From finding and retaining talent to being prepared for layoffs, you can be ready for economic factors that could impact your workplace. Here are some ways to help ensure you are ready to help deal with the effects of inflation.



A [recent employer survey](#) found that 73% of employers are targeting a payroll increase of 4%, and 43% grew their merit salary budgets by 5% or more. However, another study shows that 40% of workers who left their job, went to an organization that offered them an increase in salary of at least 10%, illustrating the disconnect in employee expectations.

## HR TASKS TO PREPARE FOR THE UNPREDICTABLE

Whether your organization is in a high turnover industry, going through layoffs, or making changes due to a recent acquisition or organizational shift, processes are critical to your success. You can work to create an efficient process, and make your employee separations as smooth as possible, by offboarding with **C.A.R.E.**

### COMPLETE SEPARATION PAPERWORK

Organizations must be prepared for the decisions and processes that take place when employees leave. This includes a significant amount of paperwork that may vary by state. The information you present is critical to a smooth offboarding process and should be concise and timely. Examples of forms you may be sending to your employees include:

- State and employer-specific separation forms
- Logistical information for returning company-owned equipment
- Consent to receive an electronic W-2
- Benefits information and expectations for COBRA
- Last paycheck information
- A copy of their non-compete and/or non-disclosure agreement
- Retirement, equity, and employee stock information
- Options for filing for unemployment
- Exit interview questions
- Contact information for questions
- Any additional FAQs

In addition, many states have required or recommended separation notices that must be sent to terminated employees. Employers are required to monitor for any updates to these separation notices in all states where they have employees living. If the forms are not provided to the former employee or not managed properly, this can result in material fines. Some states have an increased chance of receiving an employment charge because the state laws go beyond the U.S. federal guidelines. [New Mexico](#) for instance has a 66% more likely chance to receive a charge compared to the average.

Organizations are finding ways, such as the [Offboarding Forms Solution](#) offered by Equifax Workforce Solutions, to help better manage their offboarding process. Automation allows for the delivery of a variety of offboarding forms to terminated employees. Whether they work remotely, in the office, or on hybrid schedules, automation can help you more consistently and properly manage your offboarding process with less effort, while also helping mitigate your risk. Take the first step by making sure your current process is written down so you can find gaps and opportunities.



According to a [Hiscox study](#), US-based companies (with 10+ employees) have at least a 11.7% chance of having an employment charge filed against them.

## ASSIGN INTERNAL TASKS

The best processes are written down. Ensure you have a written (even better if it's automated) process for what steps need to be taken internally once an employee terminates employment. Most Human Capital Management (HCM) systems will allow for a process to be set up (or even use APIs) for sending notifications and/or tasks to groups such as:

- Requesting a written and signed resignation letter if the employee is resigning
- Notifying IT to restrict online systems access
- Confirming when and where company equipment is received
- Removing any security access to buildings
- Redirecting email and files to managers

## REPUTATION MANAGEMENT

Employees now expect to be able to more freely express themselves through social media inside and outside of the office. While clear guidelines on acceptable social media behavior are necessary, leading companies also leverage social media to spread the word about positive aspects of the workplace. Whenever an employee separates, and especially in times of high turnover, labor shortages, layoffs, and hiring freezes, here are a few ways to help maintain and protect your reputation:

- Provide clear communication to both those you are laying off and to the employees you are retaining.
- Be prepared to answer questions and offer support to terminated employees. Questions such as severance packages, healthcare, psychological support, and any other certainties should be provided to the individual receiving the news.
- Review and respond in a timely manner to posts on social media and jobs sites such as Glassdoor where former employees leave reviews.

In a LinkedIn post by Jenny George, CEO at Converge International, she commented that “Companies that treat employees, ex-employees and stood-down workers with compassion, clarity and transparency when times are tough are setting themselves up as employers of choice and will reap the rewards.”

## EXPERIENCES FOR EMPLOYEES AT EACH STAGE OF THEIR EMPLOYMENT

When you lay off employees, there are often negative impacts to the workforce such as morale issues, survivor's guilt, and a loss of trust. What can you do to help employees feel more secure and help retain the best talent you have? First, ensure you have a strong interlock between marketing, communications and other functions that can help with coordinated execution of a positive employee experience. Additional best practices include:

- Provide resources for improving health and wellness with offerings that help support the whole person, not just the employee.
- Assist employees with financial stress during this time when their finances may be affected by inflation. Identity theft solutions such as [ID Watchdog](#) can help provide protection and peace of mind for employees and their families.
- Create growth opportunities for your top talent. Show them you are putting your trust in them by helping them further their career development by creating internal training opportunities, certificates, or work with vendors that provide education services for your employees.
- Review your current talent pool and look at pay and salary during times of inflation. Higher wages may not seem like a benefit to a business trying to cut costs, but they can force a company toward higher productivity. By increasing worker productivity, businesses can pay more per employee and still come out even or ahead overall.





"The No. 1 thing that employers focus on is compensation when it comes to retention. It's not the only thing. But it's the biggest thing. And if you have the opportunity, if you're capable of raising wages, you're going to do better in terms of retaining your employees than organizations that don't." Tony Guadagni, Senior Principal, Gartner HR practice as quoted to [HRExecutive.com](https://www.hrexecutive.com).

Offboarding can be more complex than it sounds - but if you are prepared for the unexpected, it doesn't have to be. Now is the right time for your organization to revisit your current process and enhance processes and procedures around separation of employees. [Reach out](#) to our subject matter experts to discover how you can minimize risk, gain more control, and efficiency, and reduce delays in delivering information to your employees and the states with our [Offboarding Forms Solution](#).



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