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ANALYTICAL VIEW ON PROVIDING OUTPLACEMENT SERVICES IN SLOVAK COMPANIES

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Jana Cocuľová pôsobí ako odborná asistentka na katedre manažmentu Fakulty manažmentu Prešovskej univerzity v Prešove. V rámci svojej vedecko-výskumnej činnosti sa primárne venuje oblasti riadenia ľudských zdrojov, s osobitným zameraním na výskum parciálnych problémov riadenia ľudských zdrojov v medzinárodnom kontexte. Spoluautorka Kristína Bodnárová je úspešnou absolventkou magisterského štúdia študijného programu Manažment na Fakulte Manažmentu Prešovskej univerzity v Prešove.

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Abstract

The article deals with the issue of outplacement, which is a service via which an employer provides support and professional assistance to employees who are exiting the company. Due to the fact that the outplacement represents a relatively new trend in the Slovak environment, the paper features a presentation of results of the research which aimed to provide an analytical view of its use in Slovak companies. For this purpose, three statistical hypotheses were tested to identify statistically significant differences in the use of outplacement in terms of size, type of ownership, and type of sector in which companies operate. The research results highlighted the low rate of outplacement use and confirmed the presumption that outplacement was to a larger extent provided by large international companies.

Key words: outplacement, lay-offs, employee, employer

Introduction

Outplacement is a modern tool that provides support and assistance to terminated employees. This can be done either by the company itself or by outsourcing these activities. Outplacement

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processes are gradually being implemented in Central and Eastern European countries as a result of globalization and an increasing number of internationally active companies in the markets of these countries.

Outplacement is becoming a norm in modern companies, signaling a high level of human resource management. This service brings many benefits that the negative effects of lay-offs, accelerate the re-employment of redundant employees and significantly strengthens own corporate culture. It can therefore be assumed that the use of this service will continue to grow in the future.

Theoretical Framework

This service first started to develop during the period after the end of the Second World War. During that time outplacement's aim was to help people integrate into normal life, especially those whose only profession was to fight in the war. Outplacement was a free advice system for veterans looking for a new job. This service was provided by the New York Society of the Advancement of Management (Pickman, 1994). The use of outplacement in the United Kingdom and the US grew in the 1970s during the economic crises. This included the participation of American outplacement companies in the European market (Redstorm-Plourd 1998). Many acquisitions of companies have led to company reorganization and lay-offs. Such cost reductions due to economic and social pressures have led to companies' shrinking. Employers have not been able to continue to offer a favorable working environment, lifelong employment, stability and job security. Companies have started to make short-term employment contracts and realized the importance of their own image in the society, thus paying attention to decent treatment of employees and appraisal of their work (Prajzler, 2006). The concept of outplacement reappeared in the 1980s in the United States during the transformation of companies and their efforts to economize production (Stýblo, 2005). Professional associations that devote themselves to outsourcing started to emerge. As an example, Redstorm-Plourd (1998) outlines the American Association of AOCF, founded in 1982, which was joined in 1990 by the IAOP. Their common goal was building the image of companies and provision of stable outplacement services.

Gradually, this concept has become settled in workplaces across countries. In Slovakia, the term outplacement appeared in the second half of the nineties, known mainly through HR agencies. Companies started to use it in connection with collective redundancies and efforts to take care of redundant employees and retain the name of a good employer (Šebeňa, 2009).

Outplacement means care and support for exiting employees, and help for those who leave the job not willingly. This service also includes training of managers and HR specialists before personnel changes (Sehnaľová, 2008). Stýblo (2005) characterizes outplacement as a very personal service, a service the aim of which is to find a new employment with the help of the employer. Outplacement is a service that is very personal, addressing a particular problem. From the point of view of practice, outplacement is understood as aiding and assisting employees during lay-offs. Companies perceive this concept as a process of out-of-company placement. The employer actively assists the employee to find a new job or to start a new career. Redundancies never attract positive feedback either in the company or in the public, and that is why businesses should use this tool. Assisting redundant employees when finding

another job creates a positive image even though the company has to terminate some of its employees (Sathe, 2010).

Outplacement as a comprehensive tool can be also understood in broader terms. Outplacement is the process that helps companies facing redundancies, redundant employees and employees who stay in the company. A broader understanding of outplacement includes activities such as locating redundant human resources, designing a strategy to address the redundancies in companies, preparing communication plans and training staff to coordinate the redundancies including communication with the Labor Office and unions, identifying staff needs and socio-psychological support, financial support, and feedback to analyze the success of an outplacement program (Stýblo, Urban, Steiner, 2007). Businesses offering this kind of service have developed specific programs, training programs that differ. Most programs include the following activities:

- Psychological counseling,
- Career Advice,
- Help with creating a resume,
- Psychological diagnostics,
- Preparation for a job interview,
- Complete preparation for the selection process (Šebeňa, 2009).

There is a difference of opinion among outplacement theorist and those who do it in practice on what the outplacement process should contain. Only a few studies focus on evaluating the course of the outplacement program, the personal progress of a client, and evaluating the quality of the re-employment. Companies that use outplacement services have many reasons. In particular, they take into account their employees, their careers and their psychological well-being because they feel responsible for the terminated employees. They also seek to prevent disputes between the terminated employees and the employer. Companies try to maintain or improve their reputation in the society (Sojka, 2015).

Assessment of outplacement services and their advantages and disadvantages are conditioned by their effective use of redundant employees and the level of utilization of individual activities by the company.

Methodology

Due to the fact that the outplacement is in the Slovak Republic a relatively new phenomenon, our aim was to analyze the state of provision of this service in conditions of Slovak companies. For this reason, the research was carried out on a sample of 153 companies willing to participate in the research. The research objective was to find out the existence of statistically significant differences in the use of outplacement among companies in terms of three selected variables: (1) size, (2) type of ownership, and (3) the sector in which the company operates.

To meet the set goals, 3 statistical hypotheses were formulated and subsequently tested using the Student t-test at a 5% significance level. A standardized questionnaire was distributed to companies via an e-mail or in person. Figure 1 shows the composition of the research sample according to whether or not they use outplacement.

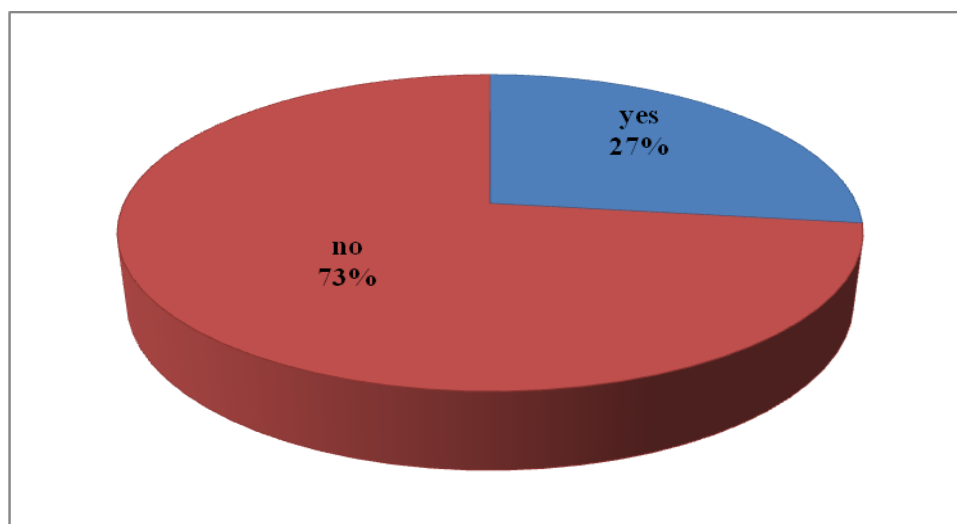


Fig. 1 - The research sample in terms of outplacement use
Source: Microsoft Excel 2007

As shown in Figure 1, it is clear that the outplacement is used by Slovak companies only marginally. The reason may be, in particular, the fact that this service represents a relatively new phenomenon in the Slovak market, and employers often do not have the right information on what outplacement means and what benefits the company can get from using it. Outplacement provision can be perceived as a cost-benefit activity.

Research Results

The first feature that was taken into account during the research is the size of the company. We assumed that companies with more employees would more often lay off employees (or collective redundancies), which would lead to more frequent use of outplacement than is the case in small businesses. For the purpose of comparison, companies were divided into three size categories, small (1-24 employees), medium (25-500 employees) and large (500+ employees). As shown in Table 1, small businesses only rarely use outplacement (8%), while more than a half of large businesses use it (57%).

H1: We assume statistically significant differences in the use of outplacement service in terms of enterprise size.

	1 - 24		25 - 500		> 500		σ	F	t	p
	n	%	n	%	n	%				
yes	3	8	18	23	21	57	0.63	0.76	1.98	0.000
no	35	92	60	77	16	43	0.66			

Tab. 1 - Testing statistically significant differences in the use of outplacement in terms of number of employees
Source: Statistics 21.

As shown in Table 1, the H1 hypothesis has been confirmed. It can therefore be confirmed whether the use of the outplacement is related to the number of employees it employs. It is clear, therefore, that outplacement is used by companies with a higher number of employees, where employee turnover is more frequent. However, even small businesses, if they wish to

maintain their position on the market, should consider granting some form of support and aid to redundant employees, which, in view of less frequent redundancies, may not pose a significant financial burden on the company.

The second examined independent variable was the ownership type. We assumed that companies with an international type of ownership would rather use outplacement than Slovak local firms. Research results show that only 13% of local companies use outplacement in contrast to international companies where outplacement is used by up to 65% of organizations.

H2: We expect statistically significant differences in the use of outplacement in terms of ownership.

	yes		no		σ	F	t	p
	n	%	n	%				
international	28	65	15	35	0.48	0.01	2.00	0.000
local	14	13	96	87	0.34			

Tab. 2 - Testing statistically significant differences in the use of outplacement in terms of ownership
Source: Statistics 21.

The t-test results confirmed that there are statistically significant differences in the use of outplacement among local and international companies. It is clear that international companies may have more experience in the field of human resource rationing, which may be the reason why they are more likely to use outplacement techniques. Other reasons may also be the higher number of employees, as they are mostly large companies and a longer period of market activity. Since outplacement is not a frequently provided service, there are few local companies providing these services.

Attention was also focused on the sector of the economy in which the company operates. For comparison purposes, the research focused on manufacturing and service-oriented companies. Research results show that the proportion of the use of outplacement in manufacturing companies and service-oriented companies is almost the same. The difference was also tested using the t-test.

H3: We expect statistically significant differences in the use of outplacement services from the point of view of the economic sector.

	manufacturing		service-oriented		σ	F	t	p
	n	%	n	%				
yes	13	25	29	28	0.47	0.92	1.98	0.070
no	38	75	73	72	0.48			

Tab. 3 - Testing statistically significant differences in the use of outplacement in terms of the economic sector
Source: Statistics 21.

As Table 3 shows, p value is higher than 0.05, so the hypothesis was rejected. The economic sector cannot therefore be considered as a factor influencing the use of the outplacement service. In both categories of enterprises, a relatively low rate of outplacement use was found.

Conclusions

Outplacement represents a relatively new type of service in the conditions of Slovak companies, which was also confirmed by the results of the research carried out on the sample of Slovak enterprises, where only 27% of the surveyed companies used outplacement as a form of assistance to redundant employees. Based on the research results, it can be concluded that outplacement is being used by large companies and companies with international influence. This suggests that those companies that go through redundancies more often pay more attention to this negative phenomenon.

Support for redundant employees does not only bring benefit to such redundant employees but also the employers themselves. Using outplacement leads to the establishment of a positive image of the employer. At the same time, the employer becomes attractive to potential employees and thus outplacement reduces the negative impact of the company's redundancies. It can therefore be assumed that the trend of its use will increase since its benefits not only redundant employees but also companies themselves, who are more than willing to build a favorable reputation and a positive image.

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