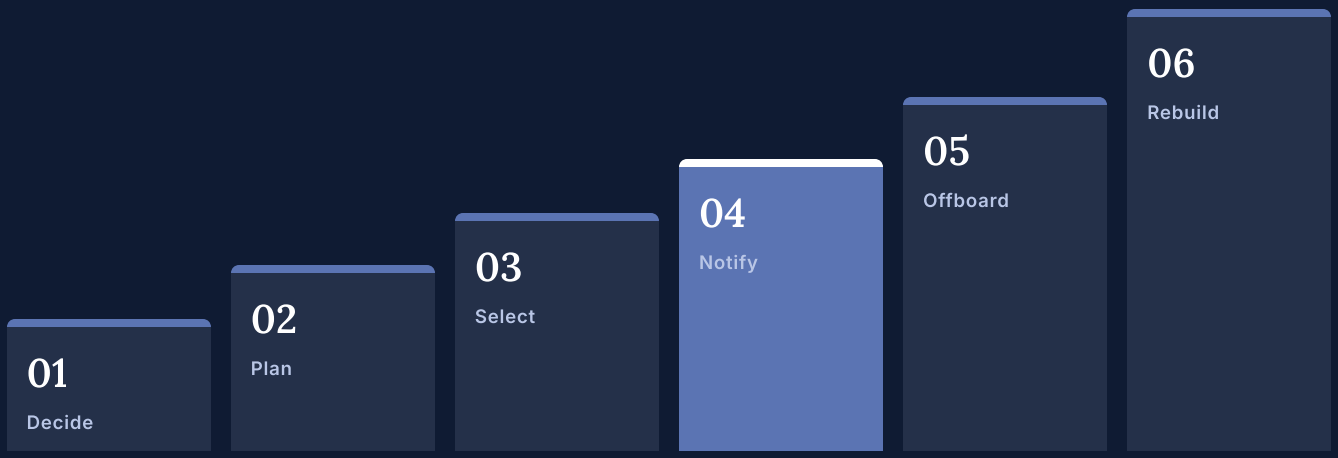
Herrera
HR GROWTH PARTNERS

FOUNDER FIELD GUIDE

THE LAYOFF PLAYBOOK

# A layoff is a money decision. *How you handle it is a trust decision.*

A step-by-step playbook for planning and carrying out a reduction in force with fairness, care and fewer legal surprises.



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A NOTE BEFORE YOU START

## People rarely remember the business reasons for a layoff. They always remember how they were treated.

Few decisions weigh on a founder more than letting good people go. In a growing company it often happens fast, after a missed round or a lost customer. The pressure to act quickly is exactly when costly mistakes happen: an uneven selection, a missed notice requirement, a release that doesn't hold up, or a team that loses trust in leadership.

This playbook walks through each stage, from deciding whether a layoff is the right move to rebuilding the team afterward. For any reduction in force, involve employment counsel early.

*Peter Herrera*

Founder, Herrera HR Growth Partners

SECTION 01

# Before you decide

A layoff should solve a defined financial problem. Before committing, be clear on the gap you need to close and whether something less disruptive could close it.

## Questions to answer first

- [ ] **What number are we solving for?** The monthly or annual savings target, and how long the runway needs to be.
- [ ] **Is this a one-time reset?** Several rounds of cuts damage trust far more than one well-sized reduction.
- [ ] **What work will stop?** Cutting people without cutting work burns out the team that stays.
- [ ] **What will it really save?** Subtract severance, benefits continuation, payouts and the cost of rehiring later.
- [ ] **Who needs to be involved?** Board or investors, finance, employment counsel and your HR partner, under confidentiality.

## Alternatives worth weighing

| OPTION | WHAT IT SAVES | WATCH OUT FOR |
|---|---|---|
| **Hiring freeze** | Future cost, with no one losing a job | Slow to make an impact; open roles may be critical |
| **Cut non-people costs** | Software, vendors, office space, travel | Usually not enough alone, but it shows the team you tried |
| **Temporary pay reductions** | Immediate payroll savings that are shared across the team | Exempt salary minimums, advance notice rules in some states, and the risk of losing top performers |
| **Reduced hours or furloughs** | Payroll while keeping people attached to the company | Pay rules for exempt employees, benefits eligibility, and possible WARN triggers if hours are cut deeply for a long time |
| **Voluntary separation offer** | Headcount, with people choosing to leave | You can lose the people you most want to keep; set approval rules first |
| **Defer bonuses or raises** | Near-term cash | Earned bonuses may be owed as wages; check plan terms and state law |

SECTION 02

# Plan the reduction

Keep the planning group small and confidential. Give each workstream a single owner so nothing falls between the cracks.

FINANCE

### The numbers

- Savings target and timing
- Full cost of severance, payouts and benefits
- Payroll cutoffs and final pay deadlines

LEGAL

### The guardrails

- WARN and state notice review
- Release and age-discrimination requirements
- Contracts, visas, equity and leave cases

SELECTION

### The decisions

- Criteria set before names
- Documented rationale for each role
- Adverse impact review

PACKAGES

### The support

- Severance formula
- Benefits continuation and COBRA
- Outplacement and references

COMMUNICATION

### The words

- Meeting guide and letters
- All-hands message and FAQ
- Customer, investor and vendor notes

LOGISTICS

### The day

- Meeting schedule and rooms or video links
- System access timing
- Equipment return and shipping

## A typical timeline

| WHEN | WHAT HAPPENS |
|---|---|
| **6–4 weeks out** | Confirm the savings target, consider alternatives, bring in counsel and HR, and check whether notice laws apply. If WARN or a state law applies, notice must go out at least 60 or 90 days ahead, so plan from that date. |
| **4–2 weeks out** | Set selection criteria, draft the list, run the adverse impact review, set the severance formula and draft documents. |
| **2–1 weeks out** | Finalize the list and packages, prepare managers, write all communications, and line up payroll, IT and benefits. |
| **Notification day** | Individual conversations first, then the all-hands meeting the same day. Early in the week works best, never right before a holiday. |
| **The following 30 days** | Release deadlines, final payments, COBRA notices, team check-ins and a reset of priorities. |

SECTION 03

# Select fairly

Selection is where most layoff claims come from. The safest process decides which *work* is going away before it decides which *people*, and applies the same criteria to everyone in the same group.

| METHOD | HOW IT WORKS | STRENGTHS | RISKS |
|---|---|---|---|
| **Role or function elimination** | An entire role, team or function is closed | Clear business logic and easy to explain | Make sure the “eliminated” role isn’t simply refilled under a new title |
| **Skills needed going forward** | Keep the skills the new plan depends on | Ties decisions to strategy | Needs written, role-specific skill definitions to avoid subjective calls |
| **Performance** | Lower performers within a group are selected | Keeps your strongest team | Only works if reviews are recent, documented and consistent across managers |
| **Seniority** | Shortest tenure in a group is selected | Objective and simple | Can lose recent key hires and may skew by age, race or sex depending on hiring history |
| **Multiple criteria** | A weighted score across several factors | Balanced and well documented | Takes time to build, and the factors and weights must be set before scoring |

### Ground rules for any method

- Define the group being compared: by role, team or location
- Set criteria and weights before anyone discusses names
- Have at least two people score independently
- Write a short reason for each selection
- Have HR or counsel review the full list

### Pause and check if a selected employee…

- Is on leave or just returned from it
- Recently raised a complaint or a pay, safety or harassment concern
- Requested an accommodation or filed a workers’ comp claim
- Is the only person in a protected group on the team
- Has a contract, visa or equity terms that change the picture

# Building a multi-criteria score

Pick three to five job-related factors, define what each score means, weight them by importance, and score everyone in the comparison group the same way. Here's a simple example for a team of customer success managers where two of five roles are being reduced.

### 1. Choose factors

Performance (last two reviews), critical skills for the new plan, and breadth of work they can cover.

### 2. Define the scale

Score each factor 1 to 5, with a written definition of what a 1, 3 and 5 look like.

### 3. Weight them

Performance ×3, critical skills ×2, breadth ×1. Set weights before scoring begins.

| EMPLOYEE | PERFORMANCE ×3 | CRITICAL SKILLS ×2 | BREADTH ×1 | TOTAL |
|---|---|---|---|---|
| **Employee A** | 4 → 12 | 5 → 10 | 3 → 3 | **25** |
| **Employee B** | 3 → 9 | 4 → 8 | 4 → 4 | **21** |
| **Employee C** | 5 → 15 | 3 → 6 | 2 → 2 | **23** |
| **Employee D** | 3 → 9 | 2 → 4 | 3 → 3 | **16** |
| **Employee E** | 2 → 6 | 3 → 6 | 4 → 4 | **16** |

In this example, D and E have the lowest scores. Before finalizing, check the tie-breaker you set in advance, confirm each score against documentation, and run the adverse impact review below.

### Run an adverse impact review before anything is final

Compare the selection rate for each group in the decision pool: employees 40 and over versus under 40, and by sex and race or ethnicity where you have the data. A common first screen is the four-fifths rule: if one group's rate of being *kept* is less than 80% of the highest group's rate, look harder at the criteria and the individual decisions.

A disparity doesn't automatically mean the decision is unlawful, but you need a clear, documented business reason. Do this analysis with counsel, so it can be protected by privilege.

### Small groups need extra care

When only a few people are in the comparison group, one decision can swing the numbers. Lean even harder on written reasons, consistent criteria and a second reviewer.

SECTION 04

# Notices and legal requirements

### FEDERAL WARN ACT: DOES IT APPLY?

- [ ] You have **100 or more employees**, not counting part-time workers, or 100+ employees who together work at least 4,000 hours a week.
- [ ] A **plant closing**: a site or unit shuts down, causing 50 or more job losses within 30 days.
- [ ] A **mass layoff** at one site: 500+ employees, or 50–499 if that's at least a third of the site's workforce.
- [ ] Smaller cuts within **90 days** can add together and trigger it.

If it applies, give **60 days' written notice** to each affected employee (or their union), the state dislocated worker unit, and the local chief elected official. Pay in place of notice can limit liability, but it isn't a substitute you should plan around without counsel.

### STATE NOTICE LAWS OFTEN GO FURTHER

| STATE | COVERAGE | NOTICE |
|---|---|---|
| **California** | 75+ employees | 60 days |
| **Illinois** | 75+ employees | 60 days |
| **New York** | 50+ employees | 90 days |
| **New Jersey** | 100+ employees | 90 days, plus mandatory severance |

Examples only. Several other states have their own rules, and remote employees are generally covered by the law of the state where they work.

## Other requirements to plan for

**Releases for employees 40 and over**
Under the Older Workers Benefit Protection Act, a group layoff release must give 45 days to consider and 7 days to revoke, plus a written list of the job titles and ages of those selected and not selected in the decision group.

**Final pay**
Deadlines are set by state law and can be as soon as the last day. Some states require payout of unused vacation or PTO.

**Health coverage**
COBRA (20+ employees) or state continuation coverage. Know when coverage ends and when election notices are due.

**Unemployment**
Many states require written notice of unemployment benefits at separation. Don't contest claims from a layoff.

**Equity and bonuses**
Check vesting, exercise windows and any earned commissions or bonuses that must be paid.

**Visa holders**
H-1B and other visa employees have specific employer obligations and short timelines. Involve immigration counsel.

SECTION 05

# Severance that holds up

Severance usually isn't required by law (New Jersey is an exception), but paired with a release it eases the transition and reduces risk. A consistent formula keeps it fair.

### WHAT A SEVERANCE POLICY SHOULD DEFINE

- **Eligibility:** who qualifies and which events count (layoff, position elimination) or don't (resignation, termination for cause)
- **Formula:** a base amount plus an amount per year of service, with a minimum and a maximum
- **Conditions:** a signed release, return of property and continued confidentiality
- **Benefits:** any COBRA premium support, outplacement and equity treatment
- **Payment:** lump sum or salary continuation, and timing
- **Discretion:** who can approve exceptions, and how they're documented

### RELEASE ESSENTIALS

- Give something extra in exchange: severance beyond what's already owed
- Plain language, with a recommendation to consult an attorney
- Age-discrimination timing and disclosures for employees 40+
- State-specific rules on confidentiality, non-disparagement and what can be waived
- No pressure to sign in the notification meeting

## A worked example

Formula: 2 weeks of base pay, plus 1 week per full year of service, up to 16 weeks. Three months of COBRA premium support for anyone enrolled in health coverage.

| | |
|---|---|
| **Annual base salary** | $75,000 |
| **Weekly pay ($75,000 ÷ 52)** | $1,442.31 |
| **Full years of service** | 4 |
| **Severance weeks (2 + 4)** | 6 |
| **Severance pay (6 × $1,442.31)** | $8,653.85 |
| **COBRA support (3 months, if enrolled)** | Employer-paid premium |
| **Plus** | **Final wages, any required PTO payout, earned commissions** |

Severance is taxable wages and is subject to normal withholding. Many growing companies use 1–2 weeks per year of service; set yours based on budget, market and seniority.

SECTION 06

# The notification meeting

Short, private, clear and kind. Plan for 10 to 15 minutes. The employee's manager delivers the news; HR handles the details.

PART 1 · THE NEWS (MANAGER, FIRST MINUTE)

### Say it in the first two sentences

Skip the small talk. Delay makes it harder for both of you.

> *"I have difficult news. We're reducing the size of the company to cut costs, and your role is one of the positions being eliminated. Your last day of work is* ***[date]****."*

PART 2 · THE REASON (MANAGER)

### One or two sentences, then stop

> *"This is a business decision driven by* ***[the reason]****. It isn't a reflection of your work, and the decision is final."*

Don't debate, compare them to coworkers or speculate. Only say "it's not about performance" if that's true.

PART 3 · LISTEN

### Give them space

Allow silence. Acknowledge the reaction: "I know this is hard to hear." Answer what you can, and don't make promises you can't keep.

PART 4 · THE DETAILS (HR)

### Walk through the packet

> *"Here's what you'll receive: your final pay on* ***[date]****,* ***[number]*** *weeks of severance if you sign the agreement, health coverage through* ***[date]****, and support finding your next role. You have* ***[number]*** *days to review the agreement, and we encourage you to talk to an attorney. Nothing needs to be signed today."*

PART 5 · CLOSE

### Next steps and a respectful exit

> *"You'll have a few hours to say goodbye and collect your things. Here's who to contact with questions. Thank you for everything you've contributed here."*

**DO**

- Meet in person or on video, never by email first
- Have HR or a second leader in the room
- Prepare managers with a script and an FAQ
- Give the written packet at the meeting
- Plan access timing so it ends right after, not before

**DON'T**

- Hold it on a Friday afternoon or before a holiday
- Over-explain or argue the decision
- Say "I know how you feel"
- Walk people out like they did something wrong
- Let the news leak before everyone affected is told

## Sample notification letter

Adapt to your situation and have counsel review it.

**[Date]**

Dear **[Employee name]**,

As we discussed today, **[Company]** is reducing its workforce because of **[brief business reason]**. Your position, **[title]**, is being eliminated. Your last day of employment will be **[date]**.

This decision is not a reflection of your contributions, and we're grateful for the work you've done here.

**What you can expect:**

- Your final paycheck, including **[accrued PTO, if applicable]**, on **[date]**
- Severance of **[number]** weeks of base pay, provided you sign and return the enclosed agreement by **[date]**
- Health coverage through **[date]**, followed by COBRA information sent separately
- **[Outplacement support, equity details, return of equipment instructions]**

Please take the time you need to review the agreement. We encourage you to consult an attorney before signing. If you have questions, contact **[name, email, phone]**.

Sincerely,
**[Name, title]**

### What goes in the packet

- Notification letter
- Separation agreement and release
- Benefits end dates and COBRA summary
- Final pay and PTO details
- State unemployment information, where required
- Equity and 401(k) information
- Equipment return instructions
- An FAQ and a named contact person

SECTION 07

# Offboarding with care

The details of the exit tell departing employees, and everyone watching, whether you meant what you said in the meeting.

### NOTIFICATION DAY

- [ ] System access turned off right after the conversation, not before
- [ ] Time to say goodbye, or a scheduled time to collect belongings
- [ ] Prepaid shipping for laptops and equipment for remote staff
- [ ] Personal files and contacts handled respectfully
- [ ] A single contact person for follow-up questions

### WITHIN THE FIRST FEW WEEKS

- [ ] Final pay processed on time under state law
- [ ] Benefits end dates set and COBRA notices sent
- [ ] Unemployment information provided where required
- [ ] Signed releases tracked against review and revocation periods
- [ ] Severance paid only after the revocation period ends
- [ ] Equity, 401(k) and expense reimbursement questions answered

### KNOWLEDGE TRANSFER

- Map each departing role's responsibilities before notification day
- Reassign client accounts, vendors and recurring tasks
- Update shared drives, passwords and ownership of tools
- Don't ask laid-off employees to train replacements unpaid

### SUPPORT FOR THEIR NEXT STEP

- Outplacement or résumé and job search help
- A clear reference policy, plus LinkedIn recommendations from managers
- An alumni list or warm introductions to your network
- An optional exit conversation a few weeks later, if they're open to it

> **Keep your story consistent**
>
> What you tell departing employees, the remaining team, customers and investors should match. Inconsistent explanations are one of the first things a plaintiff's attorney looks for.

SECTION 08

# The team that stays

The people who keep their jobs are asking two questions: “Am I next?” and “Can I trust what leadership tells me?” Your first week answers both.

## Same-day all-hands

Hold it as soon as the individual conversations are done. The CEO should lead it. Cover four things, plainly:

### What happened

How many roles, which areas, and that departing colleagues have been told and supported.

### Why

The business reason, in the same words you used with departing employees.

### What’s next

Whether you expect more cuts. If you can’t promise none, say what would have to change.

### What changes for them

New priorities, who owns what now, and what work is stopping.

## A 30-60-90 day rebuild

### First 30 days

- One-on-ones between every manager and team member
- Reassign work and drop low-priority projects
- Share an FAQ and keep it updated

### Days 31–60

- Check workloads and burnout signs
- Recognize the people carrying more
- Hold a pulse survey and share what you heard

### Days 61–90

- Revisit goals and roles
- Report progress against the plan
- Watch for regretted departures and address them

### Prepare your managers first

Managers will get most of the hard questions. Give them talking points, the FAQ, and clear guidance on what they can and can’t say, before notification day. Check in with them too. Delivering this news takes a toll.

SECTION 09

# How I help

A layoff is when founders most need a steady, experienced HR partner, and least have time to find one. As your fractional HR partner on a monthly retainer, I'm already in place when a hard decision comes, and I stay with you through the rebuild.

### BEFORE NOTIFICATION DAY

- Pressure-test the plan and the alternatives
- Set fair selection criteria and review the list
- Check notice requirements by state
- Build the severance formula and packets with your counsel
- Write scripts, letters, the all-hands message and the FAQ
- Prepare and rehearse with managers

### ON THE DAY AND AFTER

- Join notification meetings and answer employee questions
- Coordinate payroll, benefits and IT timing
- Track releases, deadlines and final payments
- Support managers and the remaining team
- Reset roles, goals and workloads for the new plan

| 20+ years | 4 industries | 2 companies | 1 to 250 |
|---|---|---|---|
| of HR leadership | financial services, healthcare, hospitality and tech | where I built HR from scratch | employees: the companies I serve |

### ABOUT PETER HERRERA

I've spent more than 20 years leading HR in financial services, healthcare, hospitality and tech. I was the first HR leader at a five-venue hospitality group, and later built the HR function at a tech company.

I started Herrera HR Growth Partners to give founders senior HR partnership without a full-time hire, including during the hardest moments. I'm based in Chicago and work with growing companies across the U.S.

YOUR NEXT STEP

# Facing a hard decision? *Talk it through before you act.*

A confidential conversation now can save money, protect the company and help your people land well.

FREE, CONFIDENTIAL 20-MINUTE CALL

## What we'll cover

- Whether a layoff is the right tool, and what alternatives fit your numbers
- The notice, release and final pay rules that apply in your states
- A realistic timeline, and how a monthly retainer would support you through it and after

**Everything stays confidential.** If you don't need me, I'll tell you.


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