

Layoffs Done Right (or Wrong): A Preventative-Care Approach to Reductions in Force

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Picture a Thursday afternoon at a 40-person biotech. The latest data readout was not what the team hoped for; the board has asked leadership to extend the runway, and two founders have spent the weekend building a spreadsheet of who stays and who goes. By Friday, eleven people have been told. Two managers heard the news an hour before their own direct reports did. The severance agreements went out with a three-day deadline. And the people who remained learned what happened from a Slack message that said, in its entirety, “All-hands at 2.”

No one in that story set out to do harm. They simply had no plan, so every decision was made in a hurry, by exhausted people, with a spreadsheet.

Layoffs are not a topic anyone enjoys writing about, which is exactly why we are writing about it. Throughout this series, we keep returning to one idea: the healthiest organizations practice preventative care instead of crisis response. A reduction in force is the hardest test of that idea. By the time the announcement is made, most of what determines whether it goes well, both legally and humanly, has already been decided.

This month, we are looking at reductions in force through the HR wellness lens: how to plan while you are still calm, which legal rules tend to surprise small companies, how to deliver the news, and how to take care of the people who stay.

Plan While You Are Calm

The time to decide how you would handle a layoff is before you need one. For a startup, that usually means tying the plan to your runway. Which financing outcomes, trial results, or cash thresholds would force a conversation about headcount, and who would be in the room when it happens?

If cuts do become necessary, a few decisions are worth making deliberately:

- **Exhaust the alternatives first.** Hiring freezes, slower backfills, reduced hours, and attrition can sometimes protect jobs. The authors of one recent study go further and recommend that companies reduce layoffs to a minimum, using natural turnover or voluntary departures where they can (van Dick et al., 2016). Be honest with yourself about which alternatives are real, and remember that voluntary buyouts come with legal rules of their own, covered below.

- **Choose your criteria before you see names.** Start with what the business needs: which programs, skills, and roles are essential to reaching the next milestone. Write that down first. Picking people first and justifying the choice afterward is how bias, and the appearance of bias, creeps in.
- **Look at the list before it is final.** Check who has been selected by age, gender, race, and other protected characteristics, and whether anyone on the list recently took protected leave or raised a concern. A pattern is not proof of wrongdoing, but it is a pattern you want to examine with counsel before someone else does.
- **Document the business reasons.** Keep a short, factual record of the criteria you used and why. The U.S. Equal Employment Opportunity Commission (EEOC, 2009) acknowledges that when an employer lays off some employees and keeps others, the people let go may come to believe they were discriminated against. A clear record is how you show the decision was about the business.

The Legal Rules That Surprise Small Companies

Most founders know there is a federal law about layoff notice. Fewer know where it stops applying and where other rules begin. What follows is general information, not legal advice, and the details vary by state, so please involve employment counsel before you act.

The federal WARN Act generally requires 60 days' written notice before a qualifying plant closing or mass layoff by covered employers. Coverage depends not only on the employer size, generally 100 or more employees, but also on the number of employees affected and the applicable thresholds. A mass layoff generally involves at least 50 employees at a single site of employment during a 30-day period. State mini-WARN laws may impose broader requirements, covering smaller employers, lower numbers of affected employees, or both. For example, California and Illinois generally use a 75-employee employer-size threshold, while several states have lower thresholds or different triggering criteria (Craig & Reed, 2026).

Three other details catch small companies off guard. First, cuts made in small waves can be added together, so a series of smaller terminations within 90 days may collectively trigger notice. Second, remote teams complicate the count, because courts have not agreed on what counts as a "single site of employment" for distributed workers. Third, the exception for a "faltering company" that is actively seeking capital sounds as if it were written for startups, but it carries a high burden of proof and still requires as much notice as possible (Craig & Reed, 2026). The cost of getting it wrong can be up to 60 days of back pay and benefits for each affected employee (Craig & Reed, 2026).

The rule that surprises small companies most has nothing to do with company size. If you ask laid-off employees age 40 or older to sign a release in exchange for severance, the Older Workers Benefit Protection Act sets specific conditions. When the release is part of a group

layoff, which the EEOC describes as one involving two or more employees, each person must be given at least 45 days to consider the agreement and seven days after signing to change their mind. The employer must also tell them in writing about the decisional unit (the group from which selections were made), the eligibility factors and time limits for the program, and the job titles and ages of everyone selected and not selected within that unit (EEOC, 2009).

Age ranges such as “40 to 50” do not satisfy the disclosure requirement, and according to the EEOC, an employer cannot fix a defective release later by sending the missing information. The rules apply to voluntary buyouts as well as involuntary layoffs, and no release can stop an employee from filing a charge with the EEOC (EEOC, 2009). In other words, you do not need to be a large company, or conduct a large layoff, for these rules to apply.

State law adds another layer. The EEOC’s own guidance notes that state law typically governs the validity of severance agreements and that workforce reductions often trigger other obligations, including under WARN and benefit plans (EEOC, 2009). Because size, state, and the age mix of your team all change the answer, a layoff of any size deserves a conversation with employment counsel before the list is final, not after the letters go out.

The Day Itself

How people are told matters nearly as much as the decision. A few principles hold up in almost every situation:

- **Tell people directly and on the same day.** Each person should hear from their own manager, with HR present, in a live conversation (by video for remote employees), not through a mass email or a calendar invite with no context. Schedule the conversations close together so rumors have little room to travel.
- **Prepare the managers.** Give them a short script, answers to the practical questions (last day, final pay, benefits, equipment, references), and a clear sense of what not to say. People tend to remember how they were treated on this day long after they forget the details.
- **Put the details in writing.** Provide a clear packet with final pay timing, severance terms, benefits continuation, unemployment information, any state-mandated notices, and a named contact. Final pay and benefits rules vary by state, so check yours before the day arrives.
- **Care for the people who are leaving.** The authors of the 2016 study recommend showing genuine interest in the well-being and future of employees who are leaving, including by helping them find new work (van Dick et al., 2016). In a tightly connected field like life sciences, that can mean warm introductions, strong references, and honest recommendations.

The Part Most Companies Skip: The People Who Stay

When a layoff is announced, attention goes to the people who are leaving. The people who stay often receive a larger workload and a vague reassurance. Researchers call what follows “survivor syndrome,” and it is well documented. A 2016 paper reviews the field evidence and reports that, compared with before downsizing, survivors show lower job involvement, commitment, creativity, and performance, along with higher feelings of insecurity and strain (van Dick et al., 2016). In that paper’s own experiment, employees whose employer laid off a coworker performed worse than employees whose employer laid no one off, and the researchers’ analysis linked the drop to weaker identification with the employer (van Dick et al., 2016). It was a small laboratory study with student participants, so it is best read as one piece of a larger body of evidence rather than a prediction for your team.

The encouraging news is that the effect is not inevitable. In two field studies, Brockner et al. (2004) found that survivors who felt a greater sense of control after a layoff were less affected. A higher sense of control reduced the damage to organizational commitment in the first study, and in the second, survivors who felt threatened but also felt in control did not show the same decline in supervisor-rated performance six months later. The same paper notes that earlier research found survivors react more negatively when layoffs seem unfairly handled, when trust in management is low, and when the threat of further layoffs remains high (Brockner et al., 2004).

What helps in practice:

- **Explain the why and the path forward.** Researchers recommend early, honest communication and explaining why the downsizing is necessary for the company’s long-term success, so employees keep a sense of continuity (van Dick et al., 2016). Say what changed, what the plan is, and what you do not yet know. And do not promise there will be no more layoffs unless you can keep that promise.
- **Give people a voice and a win.** Brockner et al. (2004) suggest involving survivors in setting direction and planning how to get there, and giving them work where success is likely, to rebuild a sense of control.
- **Stay reachable.** The same paper notes that survivors need to see leaders as accessible after a layoff (Brockner et al., 2004). Hold open conversations, and have managers check in one-on-one early.
- **Reset the workload on purpose.** The work does not disappear when people do. Brockner et al. (2004) point out that workers tend to disappear faster than the work they used to do, leaving survivors overextended. Decide explicitly what stops, what shifts, and who owns what.

Preventative Care for the Hardest Day

A layoff will never be painless. But there is a real difference between a hard day handled with planning and a hard day improvised by tired people with a spreadsheet. The companies that handle it best treat it like any other high-stakes HR practice: with criteria chosen in advance, legal guidance, honest communication, and genuine care for both the people who leave and the people who stay.

None of this makes a reduction in force easy. It makes it fairer, safer, and far less likely to damage the culture you are working so hard to protect.

A question to sit with this month: If your runway shortened tomorrow, would you know how you would decide who is affected, what the law requires of you, and how you would support the people who leave and the people who stay?

If the answer is uncertain, that is exactly where the work begins

References

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