

THE DOWNSIZED WORKPLACE

HERE'S WHAT YOU NEED TO KNOW BEFORE—AND AFTER—YOU DOWNSIZE.

BY MARC BEYLERIAN & BRIAN H. KLEINER

So you've had to downsize. The worst is over—or so you think. The truth is, the hard work comes after downsizing, or at least it should. Otherwise, things are almost sure to spiral out of control. Here's what you need to address:

Don't Forget the Survivors

Survivors of downsizing go through a complex set of emotions. The things they wonder about include:

- **Was the downsizing legitimate?** Couldn't costs have been cut somewhere else?
- **Were those who were laid off notified** of the news in a fair manner?
- **What decision was used** to rule people out? Were layoffs based on seniority, merit, or some other criterion?

- **Were the procedures** used to arrive at the decision fair?

- **Were those laid off compensated?** Did the organization provide severance pay and outplacement counseling to ease the pain?

If survivors are uneasy about the answers to such questions, they are likely to distance themselves from the organization. Many exhibit dysfunctional work behaviors, such as reduced performance or lowered commitment.

A survey of 1,500 human resources managers by the American Management Association found the following:

- **31% said that morale declined severely**, and 41% said that morale worsened somewhat after downsizing.

- **Nearly 40% said that productivity sagged** following reductions. Only 18% said that productivity wasn't affected.

Other surveys have documented additional effects of downsizing: greater absenteeism, the initiation of job searches, and acceptance of subsequent offers.

Mental and physical exhaustion may be another side effect as survivors take on more work. Any time there's more work for fewer people, there is added depression and burnout for those who are left. Survivors progress through three stages after a layoff:

Step 1: a sense of anguish brought on by change and heightened job insecurity as well as the loss of friends and co-workers

Step 2: a neutral stage, a sort of healing time

Step 3: a time when survivors accept the changes and become productive employees again.

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Engage Survivors in Your Vision

Given the above cycle, managers should help survivors progress to the third phase, where employees become productive again. Unfortunately, many organizations do just the opposite. They spread their downsizing over months and even years, thereby not giving survivors the necessary time to heal. It is far better to “bite the bullet” and get the whole downsizing out of the way at once to assure survivors that it is really over.

A survey of 1,200 managers by Right Associates, an outplacement firm, found that while survivors are likely to be told about the effects of a downsizing, little may be done to introduce new programs to engage employees with the changed organization. Such organizations cite monetary reasons for not instituting programs for survivors. They don't realize how much downsizing is costing them in terms of morale, momentum, imagination, and productivity.

Here are ways to help your surviving employees become productive, happy workers again:

- **Assure survivors** that the worst is past, that their jobs are safe, and that they can start looking to the future.

- **Share a vision** of the future with employees. Have plans with set goals.

- **Step up programs** to counsel employees.

- **Alert workers** to be on the lookout for co-workers who might be a danger to themselves or office mates. Stress triggered by fear of losing a job can lead to workplace violence.

- **Change the compensation program** to include special pay-for-performance and bonuses.

Consider the Advantages of Outsourcing

Although you have fewer employees, the workload is not necessarily lower. Thus, you may need to turn to outsourcing—shifting work to suppliers and contractors.

Contingent-staffing agencies may be a good solution. One advantage is that the agency itself recruits and selects candidates, with an eye to those flexible enough to step in on a contingent basis. “We have to be sure the individual's mindset shifts from being an employee to an independent contractor,” notes the president of the Osborne Group, a contingent staffing organization (see Sunoo in “References”).

On-call professionals can help tackle crushing workloads and special problems. Bilingual professionals, for instance, can relate to a diverse clientele. In addition to language skills, today's temps are expected to be up to speed on the latest software programs.

Another advantage of using contingent workers is the option to hire them into permanent positions. Many organizations use temporary staffing as a way to “try before they buy.” Although leasing workers is more expensive in the short term, the benefits often outweigh the steps of the traditional hiring process. You needn't spend your time and resources searching, interviewing, testing, negotiating, and hoping that the next candidate will be the one you hire.

But Keep in Mind Outsourcing's Drawbacks

Despite the advantages of a flexible, outsourced workforce, it also has its drawbacks:

- **You have little legal control** over the contracted employee. You can assign tasks, but you can provide very limited supervision and direction.

- **The temp will be unfamiliar** with your policies and customers and thus may provide sub-standard service to important customers.

- **There may be friction** between permanent and temporary employees.

Weigh Alternatives

When an organization has more professionals than there is work, the immediate reaction is to remove them from the payroll. But, first, consider some alternatives:

- 1. Bring contracted-out work back inside the organization.** Pulling work done outside the organization into the house may help keep surplus employees busy.

- 2. Assign employees to comparable jobs elsewhere in the organization.** Train people to take over other jobs that need doing.

- 3. Suggest shorter workweeks.** Many organizations are using shorter workweeks as a key part of their employment security programs. Sometimes they use shorter workweeks only during slack periods—during the summer months, for instance.

Contingent-staffing agencies may be a good solution.

4. Share jobs. Perhaps two employees can divide the work of one job between themselves. They will also divide wages and benefits. Many people welcome such flexible alternatives.

5. Freeze salaries and hiring. You may be able to prevent or postpone layoffs through a combination of hiring freezes and caps on wage increases. For this formula to work over the long haul, centralized planning is needed to fill vacancies by reassigning people already employed.

6. Compare push-pull strategies. After trying all the above strategies, you may decide you have no alternative but to remove some employees from the payroll. There are two ways to do so:

- Through **pull strategies**, the employees are fired. Ideally, the selection of those to remain should be based on their performance to date and what they can contribute to the leaner, downsized organization.

These decisions must also take into account policies and laws on the treatment of long-service, minority, female, veteran, disabled, and older employees.

- **Push strategies**, on the other hand, involve offering some inducement to all or a subgroup of employees, encouraging them to resign voluntarily. For older staff, this may mean early retirement. Other employees may be offered a cash payment, or buyout, in exchange for leaving. Some employees may embrace this chance to start a new career.

Remember, Money Is Not a Cure

Downsizing is often a necessary response to dramatic change. But you mustn't rush into it. Look at the problem creatively and see if you can't come up with alternatives. And, whatever you do, don't forget to assure and engage the employees who are left. Remember that while money may help, it is not a cure. What your employees really want is

to be assured that your organization has a future and that if they just hang in there, their professional careers will soar. ■

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