



EXECUQUEST

EXECUTIVE AND TEAM DEVELOPMENT

Corporate Layoffs and Employee Engagement

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Economic Reality in the Workplace

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According to the United States Department of Labor, today Americans are more concerned about job security than they are about the Nation's security war on terror, healthcare or education. Our sense of well-being is anchored in the ability to perform a job that enables us to provide for our families and ourselves; a job that we can depend on. The Bureau of Labor Statistics recently announced that 10 million Americans are currently unemployed; 524,000 jobs were lost in December bringing the total to 2.6 million for 2008 alone, and the first quarter of 2009 is expected to be much worse. Similar staggering statistics are also quoted in the Wall Street Journal, The Economist and Business Week.

Layoffs are a natural response for employers, as they struggle to sustain in the face of the worst recession since 1930. Many people have lost trust in the institutions that are supposed to provide a healthy level of stability and certainty in our lives – our government, our banks and the companies we work for. We are living in an anxious world, as employers and employees.

Unfortunately, sustained levels of anxiety make it harder for people to concentrate and process information, significantly hindering job performance. Anxiety is also infectious, particularly in the workplace, where one employee's feelings of job insecurity can escalate to collective hysteria.

In these times of a harsh economical reality and all the fear that comes with it, companies have a moral and fiscal responsibility to ground employees in reality so they stay focused and productive in the workplace. The goal is to bring employees along on the journey, preparing them for the difficult decision that management may have to make.

First and foremost, **keep employees well informed about the economic situation, both on a macro level and at a business level.** Don't assume that employees will make the connection between what they hear in the news and their own lives. Make sure they know exactly how the industry and company are being affected. Furthermore, it is important that your business and management practices are consistent with this message.



Once the leaders of the organization reach the conclusion that budgetary action is necessary, **openly communicate the new reality to employees and engage them in the problem.** Present them with the challenge of cost-containment in their day-to-day business and acknowledge their efforts in managing to tighter financials.

If "belt-tightening" is not sufficient alone, **institute other temporary cost-saving measures across all levels of the organization, and keep employees informed of the efforts to prevent layoffs.** Such efforts could include a salary or bonus cap, a hiring freeze, reduced workweek options, reduced entertainment expenses, or reduced travel (especially 1st class air travel and 5-star hotel stays for executives). Policies should be clear and organization-wide, as people tend to feel more secure when there is transparency and everyone is bearing the load equally.

Although downsizing is never pleasant, employees will at least have the confidence that the company has done everything possible to keep their jobs. **Once the decision has been made to downsize, a well-defined process will help maintain employee trust and engagement through the transition.**



Some things to think about in the development of such a plan:

- *What are the mid-term and long-term benefits that the company could benefit from as a result of this process? Will the new organization be more nimble? Is this an opportunity to let go of underperformers, remove expensive entitlements, create organizational space for new thinking, or remove old paradigms?*
- *What are the mid-term and long-term losses or negative outcomes? Will the organization lose key talent or institutional knowledge? Will the survivors become disengaged and less productive? Will they be overburdened due to having to assume additional workload from employees who have been let go? Will the company have sufficient capacity to react quickly when the economy finally begins to turn itself around?*
- *What are the criteria for layoffs? Are separations determined by seniority, function, pay, performance, or something else entirely? Could a primary round of voluntary separation help reduce the number of layoffs? Are there any opportunities to focus layoffs by location or function, thereby containing the adverse effects?*
- *What is the process for separation? What will make the process as humane as possible and least disruptive from an emotional, economic, career and business perspective (e.g., outplacement services, financial advisors, duration of healthcare coverage)?*
- *What is the communication strategy to the rest of the organization and, ultimately, to the public? How/when/by whom is the news going to be delivered? How can the message express empathy for those who were terminated and reaffirm the company's commitment to employees going forward? (e.g., disclosing the resources available to downsized employees and their families, reinforcing the efforts that were taken prior to reaching the decision to downsize)?*
- *What can be done to help the "survivors" cope with anxiety or guilt? Anxiety is a natural, emotional response to the unpredictability in the workplace. Guilt is the result of seeing the grieving of others and assuming responsibility for it.*

Both feelings drain the healing energy that the organization needs to regain its balance and strive in this turbulent environment. Both feelings need to be acknowledged and channeled through a well-structured process that is aimed at shortening the healing cycle.

As the organization begins to heal the rift, it is critical to monitor employee morale on an ongoing basis. Much as a doctor would monitor the health of a patient after a surgery, management must keep a finger on the pulse of the organization through the critical period of recovery. Do the employees feel that the downsizing was managed in a humane and responsible manner? Was it justified and transparent? Do they trust the organization's leaders to do what is right going forward? Do they feel some level of optimism towards the future of the company?

How ExecuQuest Can Help?

Our consultants have over 30 years experience in consulting to leaders in deciding how and what actions are necessary to keep their organizations and employees engaged, productive, and focused.

One service we perform is providing leaders with valuable information concerning employee's level of engagement towards the business through our survey-feedback process.

If you would like some assistance in thinking through your downsizing process or in accessing the surviving employees' levels of engagement, please contact Jaime Jusidman at 949-581-9405, extension 205.

Below are some links to articles that you may find helpful to learn about how others think and feel about the layoff process.

<http://www.shrm.org/hrmagazine/articles/1108/1108wells2.asp>

http://www.talentmgt.com/industry_news/2008/November/3775/index.php

<http://www.inc.com/articles/2002/07/24434.html>

<http://www.desmoinesregister.com/article/20090110/BUSINESS/901100325/1029>

<http://hbswk.hbs.edu/item/1518.html>

<http://blog.rivetmaker.com/2008/11/effects-of-layoffs.html>

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