

Easing the Pain: How to Handle Layoffs

Downsizing. Rightsizing. Call it what you want. While cutting staff is sometimes a necessary business strategy, few decisions are more unpleasant—especially if you’re the one who has to do the firing. Tom Peters may have described it best, when he wrote, “as a manager, it made me sick to my stomach every time I had to fire someone.”

No question, layoffs are painful. And not just for the downsized employees. Cutting staff hurts managers, co-workers, and even subordinates. But, you can ease the pain. Keep the following advice in mind if layoffs loom on your company’s horizon.

Before Taking Action, Validate Assumptions

According to a recent American Management Association survey, less than half of the companies that laid people off increased their profits after the downsizing. While reducing headcount will decrease short-term expenses, more often, layoffs result in confusion, mistrust, frustration, low morale, and poor productivity.

Human capital is your company’s most critical asset. Cut it at your own peril. You may recall the lessons of Al “Chainsaw” Dunlap who slashed his way to fame during the mid-90s. His draconian cuts at Sunbeam drove talent out of the company and ultimately cost shareholders hundreds of millions of dollars.

Before executing a downsizing strategy, evaluate and then re-evaluate the financial implications of your decision. For some alternative strategies, read the Layoff Alternatives sidebar.

Practice Open Communication

Few things devastate morale faster than negative word-of-mouth. Don’t let the grapevine become your source of communication. To protect morale and retain control over how information is communicated, be candid with your employees.

Always start the process with your management team. Make sure everyone knows the reasons for the layoff, where the cuts are being made, and why specific people or groups were selected. When the time comes to roll out the news, you want everyone in management to be relaying the same story. As soon as possible after management has been informed, announce the cuts to the remainder of your staff. The longer you wait, the more information will leak. Explain why downsizing is unavoidable, what you’ve done to evaluate other options, and why certain areas are being cut.

Equally important is to provide clear direction for the survivors. Reassure them about the company’s future. Offer a specific plan showing how work will get done and what events will trigger new hires. And if further cuts may be needed, make this known as well along with the criteria for those cuts.

Breaking layoff news is never easy, but you will gain far more trust, respect, and team commitment if you do it the right way.

Show Respect and Offer Support

Train those who will deliver the layoff news to do so with compassion, and provide as much advance notice as possible. In addition, consider offering outplacement as far down the organization as you can afford. One company went so far as to create a “transition intranet,” which included job leads, counseling services information, resume-writing tips, and downloadable HR paperwork.

By being sensitive and supportive, you reinforce your concern for your staff and strengthen rapport with surviving employees. Compassion also helps keep potentially volatile emotions under control and reduces the risk of post-layoff “company bashing” and legal action.

Of course, compassion doesn’t preclude the need for a formal security plan. Theft and data corruption can occur during layoffs. Plan to eliminate access to company information systems as soon as layoff announcements are made. If necessary, bring in extra security to protect employees and physical assets.

Survivors Need Support too

Most likely, you’re going to expect the surviving employees to reach new company goals by increasing their workload, improving efficiency, and adapting quickly to a changed work environment. If they are to be successful, you must establish performance plans with specific, measurable, and obtainable objectives—and then give them the necessary resources to succeed.

However, before getting to the new goals, be sure to address your employees’ emotional well-being. Left unchecked, morale can plummet when layoffs occur, leading to decreased productivity, increased scrap and rework, higher turnover, and poor customer service. Offer counseling to the survivors. One CIO held chat sessions and encouraged his people to share their feelings. By dealing directly with the natural sadness and anxiety, he and his group were able to find resolution.

Announce the Layoffs to Your Customers

Don’t let your customers find out about your layoffs indirectly. They may draw faulty conclusions about your motive or your situation, which can mean lost business—precisely what you can’t afford.

Instead, prepare and send a formal notification, and whenever practical, meet with customers face-to-face. Explain the business decisions behind the layoff, and demonstrate how you plan to maintain excellent levels of customer service with a smaller workforce. Then, back up your words with deeds. Continue to demonstrate that you are a true partner

committed to solving their problems, and they're more likely to remain loyal to you.

Avoid Legal Risks

To avoid claims of discrimination or unfairness, make sure you develop and adhere to a formal company layoff process. When evaluating candidates who may be laid off, ask yourself the following questions:

- Does this person have performance problems?
- Is he or she working on low-priority tasks?
- How does his or her contribution measure up to the contributions of others?
- Can his or her duties be easily assigned to others?
- Does he or she possess difficult-to-replace skills?

Develop criteria and measurements that are as objective as possible. And before you begin the layoff process, gather necessary supporting documentation (i.e., work volume reports, status reports, reviews, disciplinary documentation) to support your decisions. Be sure to include HR on the planning and announcement team to ensure that legal requirements are followed and necessary paperwork is completed.

Last Words

In the end, layoffs are unfortunate and never easy to manage. However, the best strategy for dealing with a layoff is to avoid having one in the first place.

Most businesses operate with excess labor capacity in order to meet peak demand requirements. As an alternative, consider staffing at lower, core levels, and supplementing with skilled temporary employees as needed. By staffing strategically, you avoid increasing fixed personnel expenses and can painlessly adjust staff levels to meet your work load.

Skilled temporary staff can be used to meet demand for industrial, administrative, professional and technical personnel. Your staffing partner can work with you to evaluate your staffing requirements and develop a proactive plan for hiring, training, and managing temporaries on an as-needed basis.

Layoff Alternatives

Before you decide to initiate layoffs, consider these 10 cost savings alternatives:

- 1. Reduce Hours Worked**

Consider four-day work weeks, or ask employees to trade pay for extra vacation days.

2. **Lower Wages**
Ask your people to take a temporary cut in pay.
3. **Allow Attrition**
Wait for employees to retire or leave on their own and reassign their duties to those who remain.
4. **Encourage Leaves of Absence**
Offer people a leave of absence with full benefits for a specified time period. Promise them a job upon their return, but inform them it may not be the same job or at the same pay level.
5. **Reduce Overtime**
Allow compensatory time off instead of overtime pay, or place limitations on the use of overtime.
6. **Offer Early Retirement**
Let eligible employees take advantage of an early retirement package. Supplement the offer with outplacement services.
7. **Institute a Hiring Freeze**
You can save money and reduce the number of people affected by a downsize if one becomes necessary.
8. **Offer Shared Ownership**
Allow employees to trade pay for company stock.
9. **Promote Job Sharing**
Allow two or more full time employees to convert to part time, and let them share the work of one or more job positions.
10. **Strategic Staffing**
Use temporary employees to supplement a smaller core staff as needed and avoid the need for future layoffs.

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