The Ethics of Downsizing

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In general terms, downsizing refers to cutting down of employees in an organisation. It is a crucial step taken by the organisation, when it sees that costs of organisation is going overboard due to excess of employees in the organisation.

Most discussions about downsizing focus on the legal, economic, or psychological issues raised by this practice. These are essential concerns, but we rarely consider how or why downsizing is also an ethical issue.

The paper looks at

- The reasons for downsizing
- Employee’s point of view
- Organisation's point of view
- The Survivor
- How to cope with the after effects of downsizing
- How to downsize ethically

Downsizing or doing layoffs is a toxic solution. Used sparingly and with planning downsizing can be an organizational lifesaver, but when layoffs are used repeatedly without a thoughtful strategy, downsizing can destroy an organization's effectiveness.

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THE ETHICS OF DOWNSIZING

1He has worked both in industry and academics for 10 years, have presented and published papers in the seminar as well research journals in the areas of general management. He holds Masters in management, law and research from Mumbai, India.
In general terms, downsizing refers to cutting down of employees in an organisation. It is a crucial step taken by the organisation, when it sees that costs of organisation is going overboard due to excess of employees in the organisation. Downsizing may prove beneficial in an organisational front but it poses as a major threat in case of employees working in a firm. Downsizing may be due to internal or external changes in an organisation.

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At the largest software exporter TCS about 500 members of its staff have “voluntarily resigned” after an annual performance check, while global IT major IBM is believed to have shown the door to 5,000 entry-level trainee programmers across major offices in the country on the grounds of performance. “Employees with experience of two years and above across the company who were unable to meet performance requirements have been asked to look for other jobs commensurate with their abilities,” It is the same story with many big and small companies. In many cases, Downsizing becomes inevitable. Since, the best approach adopted was to Downsizing with dignity & to ensure that those who were let to go were equipped with new skills to enhance their career prospects.

The reasons that force the company to opt for downsizing may be any of the following:

1) Competition
2) Technology
3) Automation
4) Outsourcing
5) Strategic alliances

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6) Elimination of costs
7) Improve profitability.

**Employee’s point of view**

Downsizing evokes images of mass lay-offs, of jobless workers in a stagnant market, of emotional trauma, fear and insecurity. It brings with it the shame of defeat. The shame of dejection that haunts the future of many loyal workers, suddenly sent home with a pink slip in their hands and pin money in their purses.

**Organisation's point of view**

Downsizing helps a company cope with enormous economic pressures. It increases the operational efficiency and productivity of the organisation. Labour costs, which account for a lion's share in internal expenses are greatly reduced, allowing valuable funds to be channelised to areas they are most needed. In addition, organisational re-engineering, simplified hierarchy, and importantly, a significant reduction in the number of employees may well strengthen the company as a whole, justifying such head hacking.

**The Survivor**

But the people who survive the pink slip misfortune often suffer from what is termed the `survivor syndrome`. The fear of persecution, inner tension, loss of self-esteem, lack of initiative, apathy and burnout torment them. They may feel paradoxically guilty about continuing with the company, when so many of their friends and colleagues have been given the axe.

**To cope with the after effects of downsizing**

It puts a lot of pressure and courage to face the trauma of downsizing. A few pointers how to face the reality.
➢ **Attain insight**

In all fairness, the company might have justifiable reasons for the downsizing exercise. Acquire an insight as to why the downsizing was carried out through straightforward and honest communication.

➢ **Face reality**

Instead of hoping things would get better, face reality with courage. Figure out what needs to be done. Is your job in the company really secure or is it a stopgap arrangement? Would you like to continue working with the company? Friends and colleagues till yesterday have gone. How are you going to cope up with their absence? These are aspects that need to be dealt with promptly.

➢ **Handle with courage**

Perceive the changes brought about by downsizing as an opportunity for advancement of your career. Seek out rather than merely accept work. Be careful and vigilant. Be prepared for additional responsibility and meet change with hard work and creativity.

➢ **Be responsible to yourself and your job**

The insecurity evoked by a downsizing exercise often leads people to blame others for their own mistakes. Be accountable, committed and decisive. Meet the requirements of your job with firm integrity.

➢ **Drive out insecurity**

The root cause of most problems is insecurity. Being insecure about your job, your future or your place in the company can make you perceive change as a threat. It may drive you to compromise. You need to build up your self-confidence and be competitive.

➢ **Set Priorities.**

Set priorities for yourself. Concentrate on the more important tasks. With fewer people working on the same number of tasks, the less important tasks may be left undone. Train yourself to become faster, focused and more purposeful.
Don’t get disheartened

Downsizing has been a global phenomenon. Millions of others are in the same boat as you are. It is a depressing and demoralising process for both the organisation and its employees, but it is a necessary evil. The very fact that you have outlasted the nemesis proves that you have got what it takes to survive. Build on that grit and maintain a positive outlook. Make yourself indispensable to your company through sheer hard work and cleverness. Never get discouraged.

There are many concerns that haunt the minds of employees who survive the downsizing exercise. The onus of turning the exercise into a positive one rests with the management. It is up to the management to allay the fears of its employees and demonstrate the career advancement opportunities in the restructured organisation, which will help in a smooth transition from downsized labour to a more efficient, productive and motivated workforce.

Downsizing ethically:

✔ Do it in person.

Employees should not be downsized on the phone or by e-mail. They should be informed in person. As uncomfortable as it is to end someone’s employment, the right thing to do is to have a private conversation with him or her in person. The ethical principle of respect for others should be followed.

✔ Do it privately.

Respecting others means honoring their wishes and values, and it is reasonable to assume that most people would prefer to have troubling news delivered in private. This means in your office, with the door closed.

✔ Give the person your full attention.

Interrupting the conversation to take phone calls, check your mail, or engage in other distractions isn’t just rude; it tells the other person that the matter at hand isn’t all that important. That’s yet another violation of the principle of respect. The impulse to turn your attention to less troubling matters is understandable, but along with the privileges of being a manager come responsibilities, and downsizing with integrity is one of the most important obligations of a manager.
✓ Be compassionate

In practical terms, this means being forthright with the employee but also choosing with the care the words, tone of voice, and demeanor you use. Compassion for the employee literally, "suffering with" someone—honors the dignity of the employee and speaks about the nature of the manager. We can't always make things better, but we shouldn't make things worse.

✓ Give Time.

A shock takes time to absorb. Give time and space to your employee to absorb the information, and you may have to explain more than once what is happening and why. How downsized employees are treated directly affects the morale and retention of valued, high-performing employees who are not downsized.

Conclusion

Downsizing or doing layoffs is a toxic solution. Used sparingly and with planning downsizing can be an organizational lifesaver, but when layoffs are used repeatedly without a thoughtful strategy, downsizing can destroy an organization's effectiveness. The extremely difficult decisions of who must be laid off, how much notice they will be given, the amount of severance pay, and how far the company will go to help the laid-off employee find another job are given less than adequate attention. These are critical decisions that have as much to do with the future of the organization as they do with the future of the laid-off employees. One of the most important outcomes of downsizing must be to preserve the organization's intellectual capital.