

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 4 | Issue 3

2021

© 2021 *International Journal of Law Management & Humanities*

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com>)

This Article is brought to you for “free” and “open access” by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in International Journal of Law Management & Humanities after due review.

In case of **any suggestion or complaint**, please contact Gyan@vidhiaagaz.com.

To submit your Manuscript for Publication at **International Journal of Law Management & Humanities**, kindly email your Manuscript at submission@ijlmh.com.

The Analysis of the Effect of Downsizing on Employee as Well as Organisation

RAVEESHA CHADHA¹

ABSTRACT

The process of downsizing is one of the primary choice or we can say strategy implement by many organization. The main stimulus for most downsizing actions is desire to achieve greater levels of efficiency, effectiveness, profitability and competitiveness. The method of downsizing has a significant impact on the organization. In fact, many organizations around the world are having good as well as bad impact of downsizing but one cannot ignore the methods if he wants to survive in the world. Corporate downsizing continues to be a major strategy used by organizations to cope with a dynamic and turbulent global marketplace. The major outcome made out of this strategy is that this strategy improves financial health of the company by implementing accurate amount of efficient employees in the organization.

Keywords: Downsizing, Restructuring, human resource.

I. INTRODUCTION

Downsize is a bald fact of corporate life that is engraved in the company Culture. Employee downsizing have become increasingly ubiquitous in recent years.

This event has gained much importance day by day in the world of management. Organizations are under pressure to change the way they do business in order to remain competitive in a more demanding and cost-controlled environment.

The business environment is constantly changing and companies are dealing with modern strategies and methods. Companies are under pressure to change the way they do business to compete in high demand and cost control environment. Many companies have returned to restructuring as a strategic decision to realign internal structures with changing macro-environmental factors.

Increase in global competitiveness, advancement of technology and environment changes, the companies need to constantly adapt and be prepared to change their structures, strategies, methods and practices to be competitive. In some cases they need to transform themselves from

¹ Author is a student at NMIMS, India.

tough bureaucrats to lean, flexible organization.

Downsizing in organizations and companies is becoming a popular practice in today's business environment. Each company seeks to expand or reduce the needs of its employees, requirements and business conditions.

The downsizing is the concept where the organization reduces the staff or employees in a planned manner by analysis each and every thing. Generally downsizing is also known as reorganizing as here you are restructuring the organization.

Downsizing is the reduction of the strength of employees by the planned dismissal of positions and jobs. Most companies want to cut costs and stay competitive because of global competition. In the downsizing many workers are laid off and many of the survivors are forced to work in uncertain working conditions.

Downsize is also given names such as restructuring and resizing. Regardless of the name used, it always implies a reduction in the number of permanent full-time employees. Companies seek to reduce the problem of overstaffing and thereby improve their financial position, job efficiency and competitiveness. In a business organization, downsize are the reduction in the number of employees in operating pay. Some users distinguish downsize from redundancy because downsize is a permanent reduction and redundancy is aimed at temporary downgrading, in which employees can then be restructured. Businesses use a number of techniques in downsize the benefits of early retirement and transfer to subsidiaries, but the most common technique is to simply terminate the employment of a certain number of individuals.

Employees are often skeptical of change because assigned new job roles can cause them anxiety, depression, mental pressure still companies, however, consider reducing positively from their point of view. The reaction of fall survivors determines future success of the Organization.

Downsizing mainly involves reducing the number of employees in organization, which can be achieved through many techniques, retreat, start retirement or normalization of staff.

Ndlovu & Parumasur, defining downsizing as a practice of reducing the size of companies through extensive layoffs, thereby full tiers the system is dismantled and management is done with fewer people. On the other hand, as outlined by Chew and Harvitz (2002), jobs should not be lost by cutting randomly, there are other activities where employees are re-trained and re-employed, or do not relocate outgoing employees.

The practice of downsizing the organization has increased over the past two decades and can be caused by many internal and external factors. These include internal factors, such as conflict structural redesign of organizational components and organizations, as well as external factors containing economic changes, technological advances and competition corporate restructuring often followed merger, acquisitions, dimmers or other configurations, changes, and sought to promote resource improvement within the organization.

Barney and Wright(1998) said that Most corporate annual reports highlight a discrepancy when recommending when the people of the organization are its most important asset, and companies It is necessary to reduce costs, which generally reduce investments for people in the form of training and wages. The effect of such a downsizing and cost reduction is distrust it breaks the confidence develops between managers and employees, and it leads to the loss of confidence in the employees working in the company.

Why the reduction? Environmental forces continue to affect society and organizations. On top of that on the one hand, companies can create a cycle through which they can influence or control situations they have an option to work through the changes they make and the way they create it.

However, the systems themselves may “find themselves in a vicious cycle of collapse and stagnation by the inability to control their destiny with random and failed attitudes change.

Burke (2005) pointed out, Institutional restructuring and downsizing is a complex process which effects small but growing literature suggests that such changes fail to achieve their objectives. The recession of the 1970s forced managers to reevaluate their relationship with the outside world the environment requires radical changes in the way companies operate. “Global competition and common trends in modern work life organizational changes such as acquisition and mergers. Such trends and many other characteristics modern jobs can increase stress and affect the well-being of employees.

Experience shows that such results have a cause downward rotation of employee morale, productivity decline, overstaff cuts, organizational erosion services and many health related issues.

Organizational redundancy is defined as management's efforts to reduce mismanagement and improve the efficiency of human and capital resources to reduce their use of the organizational resources. In addition, organizational downsizing involves the systematic reduction of an employee through deliberately established functions, through which companies aim to improve performance and efficiency.

Cameron (1994) also defines organizational downsizing as "carried out as part of management and designed to improve organizational efficiency, productivity and / or competitiveness"

The downsizing refers to the implementation of a strategy by managers that affects the company's strategy, its costs and work processes. It is the redundancy as a planned dismissal of positions or jobs. In light of these various definitions, it can be concluded that downsizing is a planned and deliberate attempt rather than a lucky event. It is designed to improve the efficiency and effectiveness of the company, rather than reducing labor. Downsizing also affects work practices and processes within organizations. In order to gain a competitive advantage by cutting costs, companies may want to implement reduction in times of recession or crisis. This does not mean, however, that the process is such a strategy that can only be implemented in the event of a crisis or recession.

Companies can undertake reductions for a variety of reasons, including developing a lean organizational structure; gaining strategic flexibility; becoming a learning system; dealing with financial crises or as an acquisition or merger strategy. By implementing downsizing measures, companies aim to reduce costs; to reduce bureaucracy; streamline the decision-making process; to specialize in their core business; to encourage entrepreneurs; to facilitate integration in the unstable state; to reduce communication problems; focus on customer needs rather than internal processes; to generate various synergies; increase employee empowerment; consider new investment centers and increase productivity.

(B) Review of literature

1. What is Downsizing

In the study done by *Cummings and Worley (2009)*, they observed that downsizing has recently become a gradually becoming more important issue, it should be just addressed to confirm employment practices. Downsizing can be defined as a "purposeful reducing the staff to reduce the size of organization." Worldwide the Companies improves employee competitiveness, profitability, effectiveness of organization, efficiency and the size of their staff. There are consequences of downsizing for everyone in the company, regardless of whether employees leave or remain in the company. Effects of reductions of the employees on the overall staff and organization Will vary due to many social and organizational barriers and research practices that organization undertake to find functional and operational answers.

In the research of *Noyer (2019)*, it was analyzed that a system in a dominant market, the stock position due to the downsizing and restructuring of its size and strategic business units, which are more complex and emotionally draining than being a leader during periods of growth.

Currently various organizations have joined the military parade widespread affected by layoffs redefining efficient leadership and staff motivation, Loyalty and Commitment.

2. What are the effects of downsizing on Employees

In the study of *Hopkins and Washington (2006)*, it was came as conclusion that employees are often skeptical of change as they are given new job roles with lots of responsibility, anxiety and previous personal relationships may be lost, however companies consider Downsizing in positive light. Determines the reaction of survivors in the organization the future success of the organization also depends. It can work positively as well as negatively for the organization.

Pathak and Nag (2009) in their observation, observed that Downsizing and Restructuring is a multi-dimensional ongoing process. This includes improvements in performance and management, reductions in number of employees staff and their salaries and wages, assets sales and advanced marketing efforts and technology, all expect high profits and income to the organization. These achieved through changes in the organization's structure including building of corporate restructuring funds and upgrading resources. All this things creates a preasure on the employee to perform well as it is a clear relation that if they wll wor they will be in organization

3. What are the effects of downsizing on the organization

The study conducted by *Cameron (1993)* concluded that as “similar to throwing a grenade into a crowded room, closing the door, and expecting the explosion to eliminate a certain percentage of the workforce. It is difficult to predict exactly who will be eliminated and who will remain.” It was observed that as in management generally we have to take speedy decisions according to the changes in the environment but at some point these decisions may prove wrong as sometime the manager may take sudden decision by not seeing full capacity of employee and decides to remove him. This thing may lead the strategy to go in wrong direction and in this was organization may loose an efficient employee.

According to the research done by *Marais and Hofmeys (2013)*, it was observed that the business environment is constantly changing and companies are dealing with the effects of the global recession. Companies are being pressured to change their way do business to be competitive in high demand and cost control environment. Many companies have returned to restructuring as a strategic decision to restructure iinternal structures with changing macro-environmental factors.

Brewster, Sparrow and Harris (2005) observed that many companies have to restructure themselves to competitive pressures from rigid bureaucracies to leaner, more flexible designs.

These companies are forced to review their human resource management (HRM) practices to ensure Institutional success

(C) Statement of Problem

The paper will address about the process of downsizing in the organization. The present research starts with the problem definition, and in this case, it refers to detailed understanding of the existence of a particular type and kind of the process of downsizing with its reasons, different methods, the effect on organization and employees and the alternatives of downsizing in the organization.

The research paper will focus on the process and different effect of downsizing on the organization and on the employees. It also informs about the process of downsizing is negatively associated with innovation or not.

(D) Research Objectives

- *To know about the process of downsizing and reason to take the step in the organization.*
- *To know about the different methods of downsizing*
- *To know about the overall effect of Downsizing on the organization or the company*
- *To know about the overall effect of Downsizing on the employees of that organization*
- *To know about the is there alternative for the downsizing or not*

(E) The Research Designing of paper

The research design specifies the procedures in addressing the research problem through the formulation of the objectives. In the present study, the Exploratory Research Design have been used by the researcher to study the Analysis of the process of Downsizing on the organization as well as on the employees .

1. Exploratory Research-

Exploratory research helps in the problem identification and exploring the causes of the problem. It helps the researcher in developing research variables and formulating the hypothesis through extensive literature review. In the present research, the researcher has attempted to study the Analysis of the process Downsizing on the organization as well as on the employees. The core dimensions of the Analysis of the process Downsizing on the organization as well as on the employees has been researched through the interview and using various journals, books, article and websites. The development of research variables through the source of interview determined in formulating the hypothesis pertaining to the Analysis of

the process of Downsizing on the organization as well as on the employees.

2. Sources of Data Collection Primary Data

Primary data was collected through Interviews. Respondents were contacted personally and also Google link was sent on Mail of respondents. I take an interview and mentioned all the points covered by him which also helped me to do the analysis with some practical knowledge .

3. Secondary Data

Secondary data was collected through books, magazines, thesis reports, seminars and conference papers, articles, websites reports, published books, journals, and newspapers.

II. DOWNSIZING

The organizations use the method of downsizing as a way to implement their mitigation strategy related to human resource management. As a result of the liberalization and globalization of the economy, change in the way business is done and strategy reduction has become a buzzword in management, both in the context of strategic management as well as human resource management.

The term downsizing refers to the reduction of the size of an object. In the context of strategic management, strategic mitigation involves reducing the amount of business size through the restructuring process in which a company has only business activities that are consistent with its core competence.

In the context of human resource management, the downsize strategy involves the elimination of certain jobs that are more efficient. Downsize of certain jobs separates the employees who have been performing these jobs. The basic purpose of reducing strategy is to achieve downsizing that is, to have employees in accordance with organization's needs. There are many factors, due to which a company may face more employee situation

Downsizing the organization is a bald fact of corporate life that is engraved in the company culture. The process of downsizing which means reduction in number of employees have become increasingly ubiquitous in recent years, the study said this the process has gained much importance in the field of management. Almost every organization go through this process and reduces the number of employees in hope to improve the efficiency of the organization, make reduction in cost and most important to improve the performance of the organization.

As we all know that the time is changing and the organization is going through the continuous effects of the economic slowdown. The main aim of organization is to remain in this competitive world and beat other organization to be at the top. Companies are under pressure

to change the way they do business to compete in high demand and cost control environment. Many companies have turned and declined to downsizing as a strategic decision to restructure internal structures with changing macro-environmental factors. They need to be constantly prepare various changes to adopt new strategies, methods, structure and practices.

The process of organizational downsizing is a widespread phenomenon all over the world. In the mid-1990s, more than 85% of Fortune 1000 companies were involved in some reduction activity of their employees to get positive result for their organization. The 1990s management became known as the catch-rot decade because of the process of downsizing. Corporate downsizing is a set of tasks and activities performed by management to improve organizational productivity, performance, efficiency and competitiveness.

Corporate downsizing is a set of strategy perform by organization which aims to make the reduction in number of workers with the aim of improving the working condition of organization and the performance of employees. Hence, the process of downsizing can be said as the important event of making reduction of employees from the organization so that maximum output from the organization can be gained with efficient work force.

The authors have defined the process with different meaning and aspects. But the common thing with all of them is that they all want the efficient working of organization with the reduction of the employees. The different concepts, different level analysis, different measurement criteria have been used for this single strategy of downsizing.

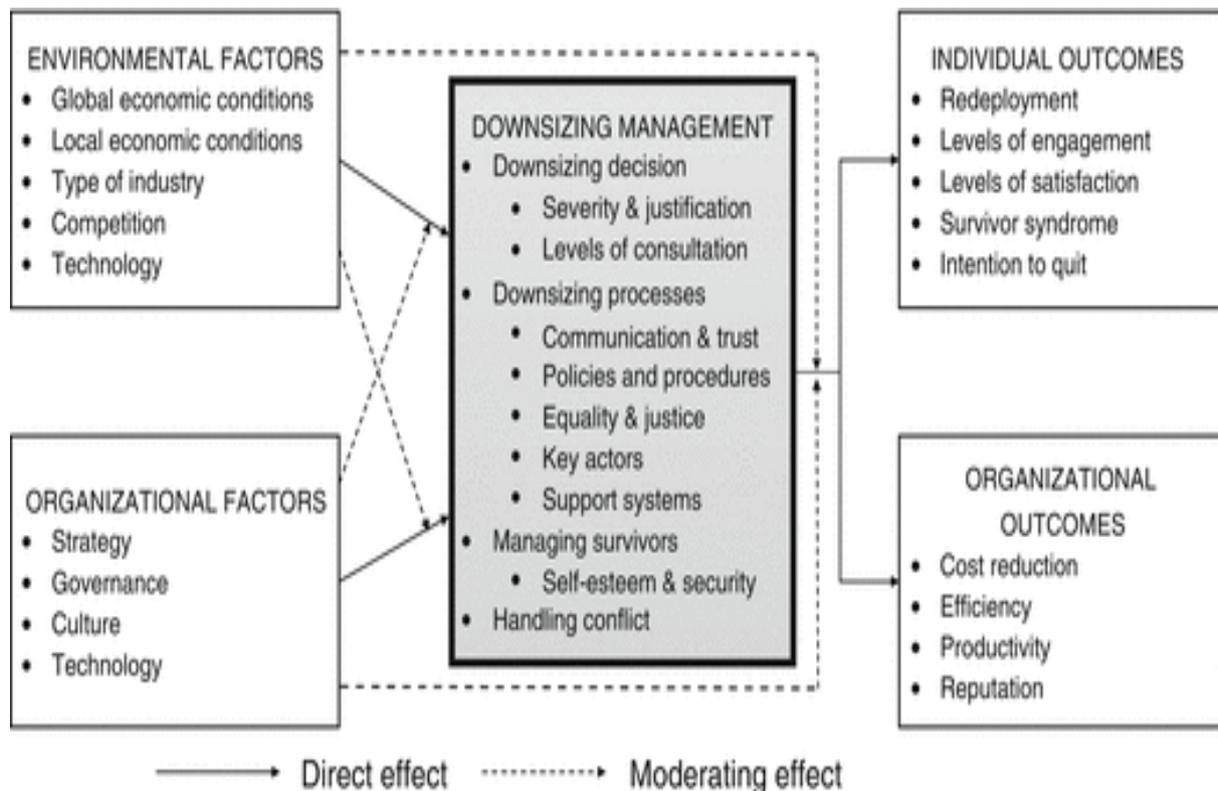
It is observed that downsizing include words that are synonymous with reduction “Resizing, leaning-up, retrenching, consolidating, declining, reduction-enforce, slimming, rightsizing, re-engineering, streamlining, reorganizing, researching, restructuring, and many others”. The words mentioned here may act as synonyms but in the world of management each of them is different and have different impacts in the organization. The word downsizing might confuse you but it means reduction in the number of employees but with certain evaluation and process but generally organization skips this step.

Downsizing is a process that can be defined as “a type reorganization or restructuring, downsizing or workforce reduction is a strategy to streamline, tighten and shrink the organizational structure with respect to the number of personnel that the organization employs.” from the point of view of organization the downsizing is the phenomena where the employee is replaced with contracted one of the organization replace the employee and place non permanent employee whose work will confirm his place in the organization.

Downsizing means “a set measures taken by the management of a company designed to

improve competitiveness, performance and Productivity of the organization to its maximum.”This is very common strategy used by the manager which effects the organization’s size, its working process and workforce. The process have 4 main properties that help define and separate it from the related, but non - Synonyms point such as layoff and decline. These main streams are efficiency, intent, work process are as described -

Downsizing may occur intentionally as a strategic, proactive response designed to improve organizational effectiveness. This may involve mergers, acquisitions, sell-offs, or restructuring to better enable the organization to meet its mission . Downsizing emerges either reactively or proactively to control costs, boost revenue and efficiency, and/or strengthen competitiveness. Downsizing activities may bring about changes in the work processes. After a reduction in the workforce, fewer employees remain to do the same amount of work, and this affects what work gets done and how it gets done .



(A) Reasons for downsizing

The process of downsizing has various reason to be implemented in the organization. As there are various reason that why any organization decides to take this step and reduces the number of employees. As every organization needs some strategies to work upon and this process can also be taken as strategy if implemented properly of employees as well as for organization. The most basic reason for this process which companies generally opts is to reduce the costing and increase the profit of the company. Like Recently, many companies, under the pressure of the

global economic downturn, have reduced their organization by laying off or laying off employees. Tata Motors, for example, laid off 6,000 temporary workers to prevent a recession. Citigroup, a US-based financial institution, has cut 52,000 jobs worldwide, while its Indian arm, Citi India, has laid off 37 employees, including senior executives.

Due to improper human resource planning or to fulfill social approval, some companies may hire more staff than they actually need. “Most government departments and public sector undertakings of the Government of India face the problem of overstaffing. This is because the government has a social responsibility to reduce unemployment in the country.”

Nowadays, rapid advances are taking place in the technological front. Automation, computers, and the Internet have changed the way businesses operate. Due to this, the human-machine ratio has changed drastically. Today, a company needs less manpower to do the same amount of work, otherwise. Therefore, technological advances are somewhat unavoidable in reducing companies.

To succeed in today’s competitive environment, most companies want to focus on activities that are critical to their core and outsource core activities. As a result, people working in non-core activities become redundant, thus necessitating the reduction of the company.

The following discussion will categorize environmental and organizational factors as the basis for retailers downsizing their personnel or the relevant, desired outcomes for the grounds of downsizing.

(B) The Environmental factors leads to the reason of Downsizing

1. Increase in Organizational expenditure;

The organization makes a strategy to increase the production cost by reducing the number of employees which may meet the cost requirement. The companies have an option to reduce the budget of salary and wages and by doing this they offer the new permanent jobs to employee with few benefits in name of permanent contractual job.

The process of downsizing which leads to increase in financial cost may also step back and the organization in order to minimize the size may outsource the temporary task which help in reduction. The researches observed that “Due to this practice, there will increase the cost of affording temporary employee as temporary employees will be lawfully entitled to benefits equal to those of permanent employees in a similar position after an initial employment period of six months, prompting further reductions in the number of personnel.”

2. Advancement in the Technology

One of the important factor which cannot be ignored by and management organization is the advancement in the technology. As we all know that day by day technology have changes and the biggest advantage of technology is it reduces the number of workers in the organization as if a machine individually can do a production of 5000 units so why the organization will required 50 workers to produce that, thy can employ 5 -10 workers to run the machine and perform the task. This thing directly reduces the staff and save the cost of company.

The other factor is as technology increases day by day so organization requires the worker who can handle the latest up gradations in technology. The person who does not have coordination with new technology and machineries will not able to contribute in organization and organization have to remove them. So it is also important for workers to know about advancement in technology.

The research done in the reports says that “the increased e-commerce strategy that several retail organizations have undertaken states that shopping online may be an infrequent trend amongst many consumers, as a result of low internet penetration and inefficient postal systems, the factor of convenience that online shopping platforms provide to tech savvy consumers still remains.”

With the emerging of new era, the trend of online shopping also increases which in exchange have resulted in the decrease in big decline in range of sale consulted in staff. The positions like division specialist retail consultants and fitting room assistants have lost their job as no there is no such use of them because of online market.

3. Economic recession period or economic slowdown

The economic recession or outbreak is a time where The economy slowdown because of various factors like in current scenario we can take example of covid-19. Because of the pandemic many organization have to fire their employees to survive. The economic recession is slowdown in production and sales procedure and rise in the unemployment. The great economist Roodt and Burden explained that “clients decrease their expenditure as a result of changes in market demands due to recessions. The declines in consumer expenditure produce lower levels of sales, whereby organizations are forced to cut back costs and for the most part this is done through reducing labour costs or reducing the workforce.”

4. The Organizational factors leads to the reason of Downsizing

The process of downsizing includes both internal as well as external factors which are present in organization. Both the factors are considered as important in the management and have great role to run the organization. There are many factors which effects or motivates to go with the

process of downsizing. Many researchers have worked to find out the most important factor and reasons which promotes the downsizing.

The research done by Roodt and Burden states that “Organisational reasons for laying-off employees could include financial concerns of shareholders on their investments or the redesign of the organisation so as to be consistent with charters, relevant to the organisation, supporting black empowerment forces, forcing the organisation to ensure better black representation.”

They also observed in their study that “several additional organisation factors could influence downsizing including; poor performance of a financial business units within the organisation, managements decision with regards to strategy on how to grow the organisation through amalgamating with other organisations or expanding into new markets, merging departments due to duplication of functions, and a lack of profitability in the organisation. Inefficient and ineffective processes in the organisation that need to be addressed through redesigning the organisation could result in employees being dismissed. Lastly, when a business is faced with budget constraints that prevent the organisation from expanding or carrying the prevailing cost structure it forces the organisation to cut cost and reduce the number of employees.”

5. Merger and Acquisition

It is a unit in which two or more companies merge and becomes one company. This is the purpose organize all operational activities so that all functions will be performed well.

They are reduced because there are countless levels of Organization, so the organization has new strategic goals

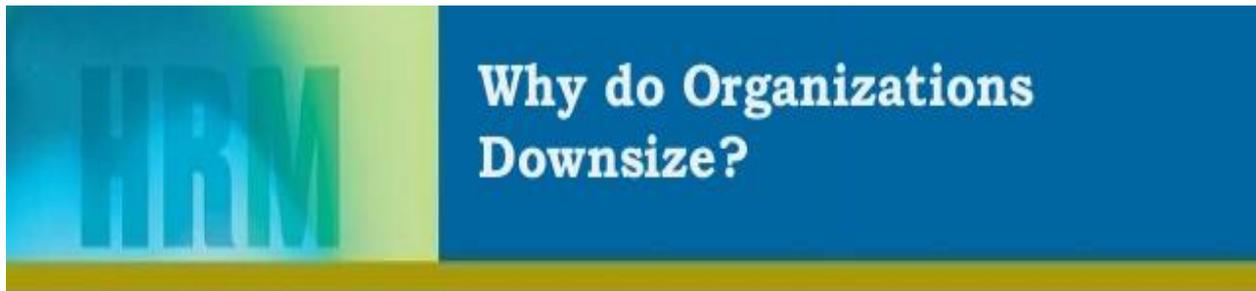
6. Decreasing profit

If a company’s profits show a major decline it is obvious that it does not show any improvement after using all other alternatives, indicating that managers are reducing Workers to increase the profit of the organization.

7. Preparing for Privatization

Companies are declining because they want to be more efficient and effective profitable to compete and be recognized in the global stock market. Companies which desire to continue to compete in the global market can be very difficult.

Operation and production and costs are kept low and placed under companies great pressure because they have to use cheap labor.



- ▶ Declining profits
- ▶ Business downturn or increased pressure from competitors
- ▶ Merging with another organization, resulting in duplication of efforts
- ▶ Introduction of new technology
- ▶ The need to reduce operating costs
- ▶ The desire to decrease levels of management
- ▶ Getting rid of employee “deadwood”

▶ 9

(C) What is the role of HRM in the process of Downsizing

The researchers also focus on the important aspect that is the role of HR in the process of downsizing. As HR is the one who is responsible of the running and working of the organization.

The study conducted by Purcell and Boxall they observed that “ The work of the HR manager is among others the handling of employment policies and practices, that is, from recruiting an employee until their exit and everything in between ”

One can say that these are efforts that contribute positively to the organization, in the sense that they add to the organization’s potential, not only quantity-wise -that is, by hiring more workers- but also quality-wise -that is, developing both the organization’s and the individual's potential and capabilities. Hence the strategic role of HR management (HRM) becomes more eminent within the function of the organization.”

Both of them also observed that “ As recruitment can occur in large numbers and not just one

person at a time, the same can happen with terminations and dismissals; an indication that HRM functions both on individual and collective dimension. Mass dismissals have come to be associated with the process of downsizing and that is why HRM is directly related with this process.”

The other researchers Bowra, Hussain, Aleem and Hamed also come to a conclusion that Discussing the role of the HR department, all the managers agree to its important role for the downsizing process. “Decisive”, “crucial”, “driving” are some of the adjectives used by most of the managers to characterize it. Most of the times, the HR director took part at the executive board and at the decision-making. In addition, by and large, it was the HR department that made the propositions for downsizing action which then had to be approved by the CEO and the executive board. Concerning the decision on who has to be laid-off, it was not the HR manager alone that was taking the final decision but in collaboration with a line manager or director. This was observed by them.

(D) What are the different methods of Downsizing

The process of downsizing have different methods and strategies. Downsizing has roused different inventive methods of eliminating individuals from the payroll, sometime on a large scale also. A few options can be utilized when the process of downsizing takes place”.

Some of the methods which are generally opt by the organization to implement the process of downsizing are as follow –

1. Attrition and Hiring Freezes: “Attrition happens when people who quit, pass on, or resign are not supplanted. With this methodology, nobody is eliminated out of a position, however the individuals who stay should deal with similar responsibility with less individuals. Except if turnover is high, weakening will dispose of just a moderately modest number of workers. Hence, businesses may utilize a strategy that consolidates whittling down with a stop on employing. This strategy is generally gotten with preferable representative comprehension over a considerable lot of the other techniques”.

2. Early Retirement Buyouts -Early retirement is a methods for empowering more senior specialists to leave the association early. As an impetus, businesses make extra installments to representatives so they won't be punished a lot of financially until their annuities and Government managed retirement benefits produce results. Such deliberate end projects, or buyouts, tempt representatives to stop with monetary motivations. They are broadly seen as approaches to achieve labor force decrease without falling back on cutbacks and individual firings. Buyouts appeal to bosses since they can lessen finance costs fundamentally over the

long haul. In spite of the fact that there are some direct expenses, the association doesn't bring about the proceeding with finance costs. As noted, exiting the workforce buyouts are seen as a more accommodating approach to lessen staff than firing long-administration, steadfast representatives. Likewise, as long as buyouts are really intentional, the association is less presented to age segregation suits. Representatives whom the association wishes would remain just as those it wishes would leave can exploit the buyout. Therefore, a few people whom the business would prefer to hold regularly are among the individuals who take a buyout.

3. Layoffs: It happen when representatives are put on neglected leaves of nonattendance. In the event that business improves for the business, at that point representatives can be gotten back to work. Cutbacks might be an proper scaling back system if there is a brief plunge in an association. In any case, cautious arranging of cutbacks is fundamental. Chiefs should think about the accompanying questions:

- How are choices made about whom to lay off, utilizing rank or execution records?
- How will call-backs be made if all workers can't be reviewed simultaneously?
- Will any advantages inclusion be given to workers who are laid off?
- If workers take different jobs, do they forfeit their call-back rights?

Companies have no lawful commitment to give a monetary pad to laid-off employees; But, many do. At the point when an arrangement exists for severance pay, the most well-known recipe is multi week's compensation for each time of work. Bigger associations will in general be more liberal. Loss of health advantages is a significant issue for laid-off representatives.

III. WHAT ARE THE EFFECTS OF THE PROCESS OF DOWNSIZING

Several organisations attempt to help the downsized employees by providing severance pay, outplacement services, extended health care benefits and advance notice. However, even though organisations try to assist, the phase still remains distressing for both the downsizing employees and the survivors. Management officials believe that downsizing decreases an employee's loyalty in "the organisation. Thus, an organisation is left with the concern to rebuild the business after the downsizing process has taken place. Organisational design, structural changes in the workflow and the content of the job must be implemented; to guarantee that the survivors are not left with additional responsibilities and tasks which they are unfamiliar. Downsizing may have a traumatic impact on an individual, this is not only during the uncertainty period of whether they will survive a downsizing process but also what will happen if they could suffer the pain of financial insecurities and unemployment.

Unemployment does not only result in financial loss but also loss in status, esteem and social support network.

According to (Cameron & Freeman, 1994), “most organisations do not achieve the desired improvements, but instead experience an escalation in negative consequence”. A survey “of 1005 organisations shows that downsized organisations between 1986 and 1991 found that only fortysix(46) percent actually reduced expenses, only thirty-two(32) percent actually increased profits, only twenty-two(22) percent actually increased productivity, and only seventeen(17) percent actually reduced bureaucracy, although each of these goals” was intended.

Downsizing is perceived as having a forceful effect on the organisation and the personnel as well as those who are terminated and those who survive. “The employees who remain with the organisation will also be affected by downsizing strategies intended to improve streamline operations, organisational flexibility and increase employee responsibility. Brockner (1992) state that several managers report that layoffs have a decidedly negative effect on their subordinates' productivity, morale, and overall commitment to the organisation. While other managers report that their subordinates respond very differently even within the same organisation. Considerable attention has been given to the effects of downsizing on individual employee”.

Researchers report such downsizing effects as “ feelings of job insecurity, anger, job stress, decreased loyalty and organisational commitment, lowered motivation and productivity, and increased resistance to change”. “The survivors of downsizing found that survivor's syndrome refers to a common set of symptoms that surface in layoff survivors. These symptoms consist of anxiety, guilt, fear, insecurity, anger and in more severe cases, depression or other physical and emotional ailments. Survivors “syndrome also refers to the manner in which a number of survivors react when numerous of their friends and colleagues are forced to terminate their relationship with the company. Some survivors experience guilt; others feel relieved and others experience a sense of anxiousness, wondering if they will be next to lose their” jobs.

Researchers have reported effects such as “ unfairness in job layoff, perceived (procedural) justice, job performance, job security, unfair treatment of the layoffs, coping strategies, supervisor support, turnover intentions, organizational morale, co employee support, optimism, job satisfaction, effectiveness of communication, and envy of those taking advantage of separation incentive programs. These downsizing effects are of particular interest to supervisors as they will be faced with a work force consisting of survivors of the downsizing.

Downsizing has various impacts on those who remain in the organization in terms of their employment situation, after downsizing has occurred. For instance employees who have been subject to relocation or have their immediate work situation altered and experience the stresses of potential job loss, are impacted differently compared to personnel who have more or less the same working situation after the reduction of employees has occurred.”

The period of “anticipation of losing one’s job should be kept as short as possible, and discharging employees should be done in small numbers, so as to minimize the effect downsizing may have on the development of tension between employees. The outcomes of cutting back on employees to be affected by the decision making and implementation process rather than employees situation after” downsizing.

Some survivors regard organizational change as an opportunity to grow within the company while others may experience neutral feelings towards the downsizing process, depending on how they feel the change in personnel will affect them. Many employees who have survived downsizing overcome the debilitating backlash and in turn learn valuable lessons regarding the reality of the contemporary employer-employee relationship. Furthermore, employees who survive the process of downsizing may appreciate the benefits the reduction in workforce may have, such as improved communication between remaining employees and management and the chance of gaining new skills with increased job content”.

Some individuals believe that survivors of the downsizing process are quite happy to still have their jobs and will not cause problems within the organisation, “which is not entirely the case. In actual fact, the performance of those who survived downsizing is negatively affected and those survivors are left feeling guilty because their jobs were spared while their friends’ jobs were not”.

The five major consequences “of downsizing, namely anger, anxiety, cynicism, resentment and hope. After downsizing, employees experience anger towards managers if the downsizing process was harsh and not strategically planned. This is especially due to managers who do not communicate effectively and openly with their employees”. Managers “often criticise their employees for not doing the job correctly. However, the jobs are too complex and employees become angry because they are doing everything the right way but it’s still not enough to please the manager. “Employees have high levels of anxiety because they have fear that they might lose their jobs. Employees have anxiety because they don’t understand the strategy of the organisation. The lack of understanding leaves employees uneasy about their future at the organisation. Fourthly, survivors are left skeptical about their future at the organisation because

some organisations stock and credit ratings have not improved after downsizing. Lastly, employees are given hope; in whom top managers convince employees the organisation could “improve its market conditions but nothing” is certain.

(B) How Down-Sizing Affects Employees and the organization

1. Speed of downsizing is negatively associated with innovation output

The various researchers have researched on the aspect that whether the process of downsizing is having any impact on the worker who are working in the organization . Research shows that higher downsizing is likely to trigger high anxiety and anger among surviving employees and may lead to lower employees’ morale, higher role stress, and lower job security than smaller downsizing, which may adversely affect innovation. The impact of downsizing on ill health is there which creates stress because major downsizing Many studies found and created an evidence that severe downsizing of 30-50% resulted in a significant decrease in employees’ morale and commitment and a significant increase in role stress. Similarly, a study on the relationship between downsizing and performance found that organizations that conducted large-scale layoffs significantly under-performed compared with those organizations that conducted less layoffs”.

The process of downsizing also leads to an “increase in workload which may influence the time and efforts employees spend on innovation activities”. In addition, “while the financial gains from severe downsizings resulting from the cut in the wage bill are potentially large, the chances of misplacing it are considerable as well. From a social capital perspective significant reductions of staff will have a major impact on work relations as trust and networks are damaged. In brief, these writings imply that larger downsizings are more harmful to innovation than low level ” downsizings.

2. The size of workforce reduction is negatively associated with innovation output

The motives or the reasons for downsizing are significantly related to the outcome of the downsizing. Here, we look at whether downsizing was implemented to cut cost or to focus the organization on its core activities. Firms downsize to primarily cut cost for two reasons

- 1) as a reaction to an actual or potential financial difficulty;
- 2) to increase efficiency”

Firms that downsized to cut cost have a tendency to maintain their product scope and focus on productivity gains and cost reduction throughout the organization. In addition, when firms downsize to cut cost they tend to focus predominately on the reduction of the number of

employees, resulting in an increase of work load which may restrict the time and efforts employees spend on innovative activities. A cost cutting downsizing strategy is often accompanied by trimming R&D activities and outsourcing activities associated with innovation. Given that most firms adopting this type of downsizing are reacting to financial stress, the short term gains from downsizing are more likely to be channeled towards activities that yield short term gains at the expense of activities, such as innovation because of the risk entailed and length of time required to produce sufficient returns from innovation.

In contrast, when “ downsizing is implemented to focus the firm on its core activities, management focuses predominately on the reduction of work, rather than the number of employees. The concept of downsizing to focus the organization on its core activities is slightly different from downscoping. Downscoping is a reduction in “over” diversification through divestiture of assets and businesses that are unrelated to the organization’s core” business. In contrast, downsizing to focus the organization on its core activities “refers exclusively to significant workforce reductions to reduce the scope of operations. When a firm downsizes to focus its activities, it does so by eliminating unnecessary managerial levels, focusing the firm on the core product, and reducing overall work level. Firms that downsize to focus their activity are likely to redirect the savings from downsizing unprofitable” or unrelated lines of activities towards their core activities”.

IV. ALTERNATIVES TO THE PROCESS OF DOWNSIZING

(A) Unpaid leave or a reduction in working time

One approach that some employers are already taking is inviting employees to take periods of unpaid leave, the famous companies like BMW or some airlines are adopting this method.

“In the past, we have also seen employers respond to a reduction in their resource requirements by implementing a strategy whereby employee working time is reduced, with corresponding reductions in employee salary or wages”.

If done correctly, “these practices can achieve significant cost savings without affecting the overall size of the workforce. There is, however, a difficult line for an employer to walk between, on the one hand, ‘requesting’ that employees take unpaid leave or reduce their hours and, on the other, ‘requiring’ them” to do so.

There are a “number of risks with this approach which means that any period of unpaid leave generally must be voluntary. This can in turn lead to outcomes that may not be ideal for the employer, for example where not enough employees agree to the proposal or where those that

do agree are not in the desired areas of the business. However, the examples show that, with” appropriate sensitivity and careful employee communications, these risks can be managed.

(B) Relocation

Where only certain areas of an employer’s business are experiencing a downturn, it may be that there is a need for additional employees in a different location or business unit. Another possible alternative to downsizing is therefore ”relocation of staff.

Of course, “there may be real practical obstacles to adopting this solution successfully e.g. employees may be unwilling or unable to commute further or relocate to a different company site, as well as similar risks to those of unpaid leave. Improvements in technology and an increased focus by employers on remote and agile working may, however, make it possible to mitigate the impact of such a relocation in certain sectors, provided employers are willing to embrace these new working” models.

One powerful “example of successfully relocating employees is the approach taken by Mandarin Oriental. Instead of laying off approximately 750 employees while the hotel was forced to close for reconstruction, Mandarin Oriental used this period as an opportunity to second employees to work overseas at its other hotels and/or to allow its staff to volunteer with charities across London. This helped to avoid the cost of both redundancies and a future mass recruitment exercise. It also helped some employees to gain valuable new skills and interesting ” experiences.

(C) Retraining

Closely related to ‘relocation’ is ‘retraining’. Where the profile of an employer’s business has changed or there is an opportunity to grow into a new sector or product, it may be prudent for an employer to invest in the re-skilling of its workforce to equip them for different roles. This allows a business to be agile and nimble in the face of economic uncertainties. This focus on ‘retraining’ is also firmly on employers’ agendas in the face of the impact that AI and technology is having on the workplace.

Such proposals “should be considered carefully by employers before they are implemented and some measures, such as a reduction in salary, will require consent. Employers should be asking themselves that whether this will work or not. As with any change, there are pros and cons to each approach and the measures discussed will always require careful consideration. Whichever route is chosen, it is critical for employers to think through the human element of any change carefully before they proceed with” implementation”.

V. CONCLUSION & SUGGESTIONS

Restructuring, rightsizing, streamlining, making redundant, retrenching, reduction in force, selective shrinkage, de-hiring, delayering, reengineering, rebalancing, outplacing - these are just a few of the phrases or euphemisms used to describe downsizing, a phenomenon that has become a ubiquitous fact of modern-day organizational life. The connotation of downsizing in an organization does not have the meaning as it once did. However, in this era, business managers are increasingly concerned with retaining knowledge-based employees, and the advent of the internet as a form of knowledge-transfer, with built in efficiency for work processes to be made easier. Managers knew that in order to remain compete”.

Downsizing was not “always seen as an effective course of action for organizations. This notion has changed, partly due to the shift in the needs of surviving in a competitive environment. The environment includes fast paced technology and globalization forces; all of which requires the reduction of unprofitable business units. Organizational managers have come to realize that bigger is not always better, especially when there are limited resources; those that are needed to provide customers with the same amount of quality pre and post downsizing. Service and product quality is a process based on the cultural aspects that require managers to perhaps downsize the operation in order to focus on their core offering. That is to say, managers downsize [reduce labour] to allocate resources to cultivate a relationship with a target market by providing quality service product offering. Downsizing is here to stay; it is a performance driver, despite the hardships that are felt by resident employees”. However, the overall organization, its managers, and shareholders, seek higher performance levels from employees by remaining competitive and surviving in new business environments

We found that when downsizing was undertaken hastily and implemented quickly, downsizing associated negatively with innovation output. In contrast, our results revealed that taking time to plan and implement downsizing reduces the harm of downsizing on innovation output. Also, as predicted, we found that downsizing to cut cost was negatively associated with innovation output. “Firms that downsize to cut cost generally do so as a reaction to an actual or potential financial difficulty and as a result they tend to focus on the short term and tend to cut costs throughout the organization impacting negatively on innovation output. In contrast, firms 21 that downsize to focus on their core activities would channel the saving from downsizing into innovative activities to consolidate their position in their core business. For firms that downsize to focus their activities, creating new products is perhaps a primary path by which they cement their position in the new focused activities”.

The organization can ensure that they provide more information to employees regarding the implementation of downsizing in their organization so as to provide a sense of transparency to employees. This will allow the employee to establish whether or not they need to find other employment and give them a sense of where they stand in the organization

The organization “should also become more aware of the fact that not only those who leave the organization are impacted by retrenchments and layoffs. In many cases those left behind are impacted more severely, as they experience guilt for having survived, anxiety for future downsizing and stress of increased job content. To ensure that downsizing leads to improved communication and improved performance of staff, the organization should make employees feel as though they are valued in the company and express the reasons as to” why the company opted to operate with fewer staff.

The implication of the findings for human resources managers is that they should have “knowledge of the context in which downsizing is taking place. Such knowledge makes them effective in deciding the criteria, processes and procedures to be adopted when downsizing. Moreover there should be differential of treatment of employees during and after downsizing. This might lead to the strengthening of commitment towards the new organizational” order. However, it might also lead to strengthening negative perceptions of deepening discrimination among the survivors. “In other words, the elements of downsizing need to be managed with sensitivity to ensure positive psychological outcomes for the survivors and positive economic outcomes for the” organization.

VI. ANALYSIS OF THE INTERVIEW

The interview is taken from Mr. Sahani, who is the owner of 2 departmental store. He have around 50 employees in his organization and have and experience of 7 year in his business field.

In the paper we have covered all the important aspect of the process of downsizing in the organization. Now we will see the practical implementation of the process over the organizations. To get more practical knowledge I have performed the interview with the organization basically departmental store known as Om mart. It is the departmental store where around 40 employees works, the owner is having two stores and he shared his experience of performing this method. The detailed interview is given at the last in Appendix.

The interview supports our study done in the paper. As interviewer also agree that there is need of downsizing when the organization is lacking in the funds. The organization may go with many alternatives also. They can make internal shifts of the employees in the organization from

one department to other. They can reduce the working hours and in this way they can cut down their salary.

The process of downsizing is reducing the number of employees in the organization. The interviewer share his experience and informed us that some time situation arises when there are more employees in the organization then need at that time they have to take decision of downsizing. Like in departmental store in the starting of month or during the time of festivals they requires employees in the organization but in off season there is not much need of employees then they have to do downsizing of perform any other alternative of downsizing.

Like we have discussed various reasons or factors of downsizing, the interviewer also go through various factors in real life like advancement in technology or time of recession etc. He also shared some of his experience like at the time of demonetization the condition of market is not very good so to be in the competition and the profit he had to perform the downsizing.

The second reason for downsizing was the technology. As in departmental store he need employees who can perform bar-coding process, know about the computer, They works on special software from which they see the purchase of stock, selling of stock, shortage of stock, bulk of stock etc, so to run the software he needs employees who have sufficient knowledge of technology

In our paper we discussed about the role of HR manager in the process as he / she is the one who have huge impact and role while performing the task. The interviewer also said that the decision of who should be there and who should be fire should be take by HR department. In interview he also stated that finance department should also be included in this process as that department handles the salary and payroll so in this way we can keep check in more efficient manner and also compare the working of employee and monitory value of employee.

In the paper we also discussed about the innovation output. The interviewer also observed that the process not only effect the employees who leaves the organization, it effects the employees who are working as well as the organization. The nature of employee became low, he compared that before downsizing employee was more enthusiastic and motivated. He always gives his 100% and also tries to give innovative and new ideas but after the process their behavior changed, they were not that much active and at some [point have some mental tension which effected them as well as the organization. When 1st time he performend the downsizing he observed this but when again he did this process with proper planning like these will be areas which will not covered then employee may looses the job the results were good and employees performed well.

He also share his experience in the point of alternative of downsizing where he experienced that when he open his 2nd store so he send employees from here to that 2nd store instead of hiring new employees. In this way he and employees both were in advantage as instead of downsizing the staff he send people there and instead of hiring new employees who may lack in experience he got experienced one.

So the interviewer have observed the process of downsizing and its result and according to that and other factors he performed the process well. He said that if we will perform the process properly with some measure and observation so it will benefit organization, regarding the innovation part and health of employee he was agree that process have these disadvantage but if things will be implemented properly then these things may overcome.

VII. REFERENCES

- K. W. (1998). The myth and realities of downsizing. *ARMA Records Management Quarterly*
- Amabile, T. M., & Conti, R. (1999). Changes in the work environment for creativity during downsizing. *Academy of Management Journal*,
- Appelberg, K., Romanov, K., & Honkasalo, M. L. (1993). The use of tranquilizers, hypnotics and analgesics among 18,592 Finnish adults: Associations with recent interpersonal conflicts at work of with a spouse. *Journal of Clinical Epidemiology*,
- Applebaum, S. H., Close, T. G., & Klasa, S. (1999). Downsizing: An examination of some successes and more failures. *Management Decisions*,
- Armstrong, W. (2007). Pink slips and body counts. *Pharmaceutical Executive*, 27(9), 158,1 pgs. Retrieved from ProQuest database.
- Devine, K., Reay, T., Stainton, L., & Collins-Nakai, R. (2003, Summer). Downsizing outcomes: Better a victim than a survivor? *Human Resource Management*,
- Doherty, N., & Horsted, J. (1995). Helping survivors stay on board. *People Management*, 1(1), 26- 31. Dragano, N., Verde, P. E., & Siegrist, J. (2005).
- Organisational downsizing and work stress: Testing synergistic health effects in employed men and women. *Journal of Epidemiology & Community Health*,
- Edwards, J. C. (2000). Technological discontinuity and workforce size: An argument for selective downsizing. *International Journal of Organizational Analysis*,
- Eriebach, A. C., Amundson, N. E., Borgen, W., & Jordan, S. A. (2004). Survivors of downsizing: Helpful and hindering experiences. *Career Development Quarterly*. Retrieved from <http://www.allbusiness.com/human-resources/workforce-management-hiring/770709-1.html>. Gandolfi, F. (2008).
- Reflecting on downsizing: What have managers learned? *S.A.M. Advanced Management Journal*, Gilmore, G. (1994). Coping with the realities of rightsizing. *Risk Management*,
- Greenglass, E., & Burke, R. J. (2000). Hospital downsizing, individual resources, and occupational stressors. *Anxiety, Stress & Coping: An International Journal*,
- Ngirande, H., & Nel, A. (2012). The psychological impact of downsizing on employee survivors in the manufacturing industry. *African Journal of Business Management*,

- Ngirande, H., Terera, S. R., & Mutodi, P. (2014). The Impact of Downsizing on Survivor Job Satisfaction and Organizational Commitment at a Selected Timber Production Estate, South Africa. *Mediterranean Journal of Social Sciences*,
- Oluoch Mercy Florah, D. M. (2013). Effects of downsizing on surviving employees of dominion farms siaya county, Kenya. *Business Management Dynamics*,
- Redman T. (2012). 'Performance appraisal' in T. Redman and A. Wilkinson, *Contemporary Human Resource Management: Text and cases*. Harlow: Pearson Education. Stafford, T. (2013). Labour legislation - Build to backfire. *Financial Mail*. Retrieved from [http://www. fm.co.za/business/2013/01/16/labour-legislation---built-to-backfire](http://www.fm.co.za/business/2013/01/16/labour-legislation---built-to-backfire) Van Dierendonck D, Jacobs G. (2012).
- Survivors and victims: A meta-analytical review of fairness and organizational commitment after downsizing. *British Journal of Management* 23(1): 96–109. Vermeulen, L. P. (2012).
- A comparison of reasons and objectives for organizational downsizing in South Africa and Australia. *Management Dynamics*.
