Dealing with downsizing: The right way to manage your workforce during a recession

There's no doubt about it—it's a tough time to be in business. Whether you own your company, hold a position in senior management or work in human resources, there is a lot of pressure on you to ensure that your organization makes it through the recession with the fewest battle scars possible.

One of the key factors to your success will be how you handle the people who work for you—especially if you are considering laying off staff.

Holding on to the employees you need

It's tempting to assume that your employees are grateful just to have a job and would never dream of leaving during a recession, but that would be a costly mistake. A 2008 study published by the University of Wisconsin–Madison found that downsizing can actually lead to a higher rate of turnover, which can leave organizations without the critical people they need to keep operating through the tough times. Although they may not be actively looking, unhappy employees are usually open to new opportunities if they present themselves.

So how do you keep your employees from wanting to leave? Make a concerted effort to keep morale up; low morale leads to job dissatisfaction and poor productivity. It can be challenging in a recession, but it *is* possible. Here's how.

1. Increase communication. One of the worst things you can do during a recession is to leave your employees in the dark. People tend to know when layoffs are coming—they smell it on the wind. But leaving your employees to guess at what's coming only leads to rumours and low morale. Be open and honest with your employees—share both what you know and what you don't know about how the economy is affecting your business. Whatever you do, don't rely on email for communicating difficult news. It lacks tonality and can seem very cold and uncaring. Have regular staff meetings so employees have an opportunity to ask questions. And if you don't know the answer to a question, it's okay to say so.

2. Invest in training. "Investing" in anything during a recession may seem counter-intuitive, but now is an excellent time to invest a little time and money in your employees. Continuing to plan for the future and showing your employees they are an important part of the company go a long way toward maintaining morale. It doesn't have to be expensive. Take advantage of e-learning opportunities, plan a "Lunch & Learn" session, encourage employees to join trade associations that offer inexpensive training sessions, organize a mentoring program or arrange for employees who participate in off-site training to share what they've learned when they return to the office.

3. Involve your employees in decision-making. As much as possible, involve your employees in major decisions like layoffs or salary cuts. Since they work in the trenches, they may have ideas that will surprise you, such as innovative ways to cut costs or get rid of inefficient processes. You may also find out how far employees are willing to go to avoid job losses. If you are facing dire circumstances, your employees might suggest alternatives to layoffs such as a pay cut, closing at noon on Fridays or other cost-saving measures. Most importantly, you will increase the amount of employee buy-in if they feel they are part of the decision-making process and not simply at the mercy of unseen faces working behind closed doors.

4. Stay positive. A good attitude is infectious. Try to maintain a positive outlook and remember to share good news widely.

5. Try to keep the little things. When budgets get tight, the first impulse is to cut everything that seems non-essential. If you can, try to keep the small perks that don't cost very much but that really boost morale.

Avoiding layoffs altogether

Programs like the federal government's Work-Sharing program may help you avoid permanent layoffs. Work-Sharing is an Employment Insurance (EI) program that enables companies whose business activities have been reduced due to circumstances beyond their control to cut back staff hours anywhere from one to three days a week. This helps companies reduce salary costs without resorting to layoffs.

With Work-Sharing, workers whose employers are participating in the program can draw EI benefits to help compensate for the loss of income. The program helps both the worker and the employer: employers retain the experienced staff they will need once the economy starts to improve and employees protect their income and maintain their skills.

(For more information on the Work-Sharing program, visit the Service Canada website at http://www.servicecanada.gc.ca/eng/work_sharing/index.shtml or call 1-866-891-5319.)

The last resort: handling layoffs

Laying people off is easily one of the hardest roles that a manager faces, but it is almost inevitable that at some point in your career you will need to do it.

Although it may sound odd, laying people off and retaining people actually go hand in hand. How you conduct layoffs—and how you deal with those who remain—will directly impact your bottom line. Mishandle either of those two things and you will be facing productivity and morale problems.

Why is it so important to carry out layoffs properly? For one thing, we now live in the age of social media and greater personal disclosure, which means there is a good chance some of your former employees will share their experiences (good, bad or ugly) on YouTube, Twitter, Facebook or a blog. If the comments are negative, they can seriously harm your company's reputation and your ability to attract new clients or employees.

Be aware the employees who remain will be watching your actions very closely. Treat laid-off workers with respect and dignity and you will retain the respect of your employees. Show a lack of compassion or march a popular and well-respected employee to the door like a criminal and you will quickly find yourself facing a crisis in employee morale and a reduction in company loyalty.

Another reason why layoffs need to be handled with care is that the business world is becoming increasingly interconnected. Social media have moved into the business world with networks like LinkedIn, where there is rarely more than a few degrees of separation between you and a previous employee. And never forget that today's former employee may be tomorrow's client.

So, how do you make sure that you conduct layoffs in a manner that reflects well on you and your company? It comes down to four basic principles.

1. Plan layoffs carefully. If you find yourself in a position where you need to let people go, don't act indiscriminately. Take the time to ensure your layoff plan and your business plan are in sync. Look at your current projects—particularly those that are critical to the business—and don't forget to plan for the future. Make sure you have a clear

idea of the projects that will get underway once the crisis is over. The last thing you want is to suddenly realize that a mission-critical project is in jeopardy because you let the wrong people go and now don't have the talent and resources to proceed.

2. Be prepared. You will make things easier both for yourself and the people you are laying off if you are well prepared. If you need to, write a script and practice it in front of a mirror until you can do it without sounding forced. Make a list of questions that might be asked and have answers ready. Be confident and get to the point—don't make small talk. Keep in mind that much of what is said in a layoff meeting will not be retained, so have resources available for affected employees, such as information on benefits, separation terms, important contacts and other written information. Also, make sure you have fully planned the necessary post-layoff logistics. Will employees be allowed to say goodbye to colleagues? Will they be permitted some time to gather their belongings? Will you offer to pack up their things and have the boxes delivered to their home address?

3. Know the law. One thing you really don't need—in a recession or at any time—is a costly court battle, so make sure you know your responsibilities as an employer. The law stipulates that employees must get either some notice prior to dismissal or be compensated instead, although the particulars vary depending on the province or territory. There are also certain rules that apply when laying off groups of individuals, but again, the laws are different depending on the province. Speak to a lawyer or contact your provincial labour board to make sure that you are meeting your obligations in accordance with the law.

4. Treat people with dignity and respect. It is human nature to shy away from uncomfortable situations, but as a manager you don't have that luxury. Distancing yourself because you feel bad won't make anyone feel better. Remember, this is not your fault, and avoiding people will not minimize feelings of guilt or hurt. In fact, it will make them worse. Be kind and compassionate. Losing your job can be a humiliating experience, so give people the respect they need.

Remember, the recession will end eventually, but what you do between now and then could have a direct impact on whether your business thrives—or nosedives. When the recession is finally over and business starts to return to normal, make sure that you and your employees are ready.

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For more information: www.councils.org

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