

Downsizing and Retooling to Sustain Your Business

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Balanced Approach

Approach restructuring with a keen sense of *business*, balanced with a sense of *compassion*.



Not Business As Usual

Expect global GDP to fall by about 1% this year, which would be twice the decline seen in 2009's financial crisis.

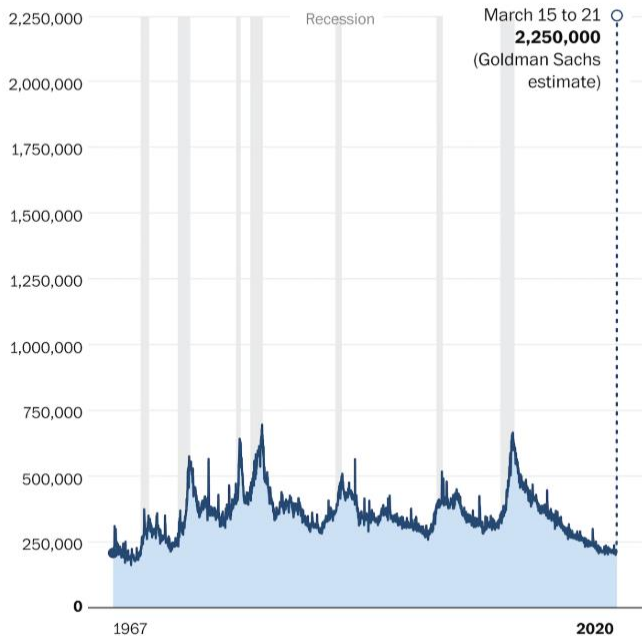
Treasury Secretary Steven Mnuchin stated that we may see unemployment as high as 20% (it was 24% during the Great Depression), though he walked back those comments the next day; CNBC reports it could be **the highest it's been in 40 years**

Unemployment claims surged to 281,000 week-ending 3/21, up from 211,000 the week before, and Goldman Sachs is predicting a surge to **2.25 million** this week

Goldman Sachs is predicting possible "boom" quarters in the third and fourth quarters to make up for spending

Not Business As Usual

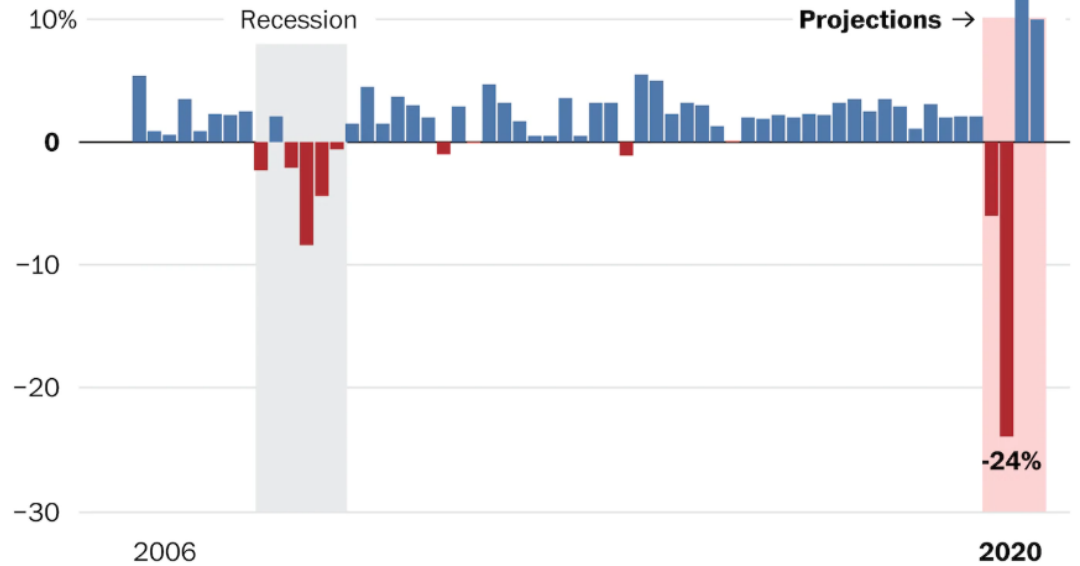
Weekly initial claims with Goldman Sachs estimate



Note: Seasonally adjusted
Sources: Labor Department via FRED; Goldman Sachs (estimate)

THE WASHINGTON POST

U.S. gross domestic product



Source: Commerce Department; Goldman Sachs (projections)

THE WASHINGTON POST

At Stake

Like surgery, downsizing may be life-saving, but it requires a recovery period.

Cutting staff means losing talent – possibly to your competition

Ramping back up as the economy recovers can be costly



At Stake

Layoffs are demoralizing to employees and may result in negative publicity for the employer.

Carefully consider the selection criteria for a layoff as a defense against any allegation of discrimination.

Consider menu of options that will help cut costs while also allowing you to ramp back up by Q3 and Q4.

Allow for Business Options

1. Share the Pain: No one – from executive to maintenance worker – is immune from the strategies for saving money.
2. Built Upon Human Resource Initiatives: Assessment of staff KSAs compared to current needs/demand; training and placement opportunities; effective wage and benefit packages.

Alternatives to Lay-Off

Reducing hours worked to spread the economic consequences of cost cutting among all employees rather than targeting a few persons for layoff.

Adopting a voluntary separation program (VSP). VSPs are particularly good at reducing the risks of legal liability associated with terminating employees.

An employer in a unionized environment needs to take additional precautions to ensure that it does not violate an existing collective bargaining agreement.

Alternatives to Lay-Off

Create a comprehensive cost-saving model with range of progressive steps—

Automakers in Japan:

Step 1. Compensation – 50% set, 50% MBO

Step 2. Cut hours by X %

Step 3. Wages cut by X %

Step 4. Eliminate positions

Alternatives to Lay-Off

Job Sharing (EDD/Employer subsidizes)

Work Furloughs

Attrition – Early Retirement Packages

Trim benefits or make more affordable

Refer for Alternative Outside Placement



To Downsize or Not...?

Downsizing should not be seen as failure, but as a “change in business strategies”. – Lahle Wolfe

Loss of specific service or product not likely to be recouped?

Over-staffed?

Market trend shift?

Business growth too fast?

Long-term revenue loss?



Steps for Effective Downsizing

Planning in advance

Review business plan – assess where talent is needed, what services are profitable, where over-staffed

Plan effectively to avoid on-going cuts (POWs)

Consult with legal, but don't let that be your only plan

Chart demographics for possible disparate impact

Depart. Employee Ethnicity Age Gender Other (disability) Perf (+ / -)

WARN Act - CA

Emergency reprieve on 60-day notice requirement– Governor’s Executive Order N-31-20

Covered establishments – employed 75 Ee’s in preceding 12 months

Employees were employed at least 6 of the 12 months (F/T or P/T)

Plant closing, layoff or relocation (more than 100 miles away) of 50 or more employees within a 30-day period, regardless of percentage of workforce.

[COVID-19: WARN FAQs.](#)

Steps for Effective Downsizing

PLANNING IN ADVANCE

Involve upper managers in planning for buy-in and feedback on business impact (scheduling, customer service needs, etc.)

Meet with supervisors - Emphasize that they will set the tone; encourage input/feedback on potential problems

Prepare exit packets (UI, COBRA, final checks, outplacement services, FAQs)

Plan meeting schedules and draft scripts for consistent message (Gannett furloughs)

Effective Messaging Components

Share the Pain – “We’re in this together”

Communicate positive purpose

Make no promises

Show compassion

Thank employees



Communicate the Present and Tie to the Future

Describe the current situation as specifically as possible

State the impact of continuing on current path

Convey positive purpose

Be brief, concise and positive, but don't make promises you can't keep

Show compassion, but don't be derailed or caught up in an argument

Thank employees for on-going support

Provide open door for follow-up communication to adjust as necessary

Steps for Effective Downsizing

IMPLEMENTATION

Complete announcements in one day if possible.

All-employee meeting ideal. (We're in this together)

If multiple meetings necessary for shifts/locations, have same leader(s) announce at all sessions; use scripts for consistent message

Steps for Effective Downsizing

Allow employee questions and venting in open forum to minimize hallway chaos

Meet with impacted employees individually – support and thank them for service – suggest alternative placement sources if possible

Steps for Effective Downsizing

FOLLOWING LAY-OFFS

Consider making computers available to assist employees with on-line UI applications

Offer resume and cover letter tips for success

Ensure that managers and HR are visible and accessible

Post recap memo from group announcement meeting – focus on mission and moving forward

Steps for Effective Downsizing

Hold post-meeting 1-2 weeks following lay-offs to plug holes and juggle workloads so production and service do not suffer

Work through “grieving process” – coach supervisors to conduct small group meetings to hear and troubleshoot concerns of remaining employees

Keep some things “normal” – meetings, events, etc.

Recreate trust in the work environment – pay attention to rewards and recognition to ensure those who are picking up extra workload feel valued and appreciated.

Resource Sharing

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<https://www.dol.gov/newsroom/releases/osec/osec20200320>

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