

Downsizing Hurts Productivity: A Case Study

From the number of layoffs still being done by companies that want to cut costs, it's apparent that many managers and executives still do not understand just how much downsizing hurts productivity. A [case study](#) performed by Christopher Silver of the Hampton Fire Rescue in Hampton, New Hampshire illustrates this point well.

Following the first-ever layoffs by the Town of Hampton Fire Department in April 2005, the department experienced decreased [productivity](#) and morale. A research project ensued to determine whether the decrease was caused by the layoffs or if there was something else that had affected morale and productivity in the department.

As part of the research, a survey was conducted among fire safety personnel. Not surprisingly, the answers to the survey indicated that employees who were employed by an organization that had laid off employees often experienced lower morale and productivity as a direct result of the layoffs. Here are some of the highlights of the survey responses:

- Before the layoffs, 72% of the respondents were very satisfied with their jobs, compared with 11% afterward.
- Before the layoffs, 3% were not very satisfied with their jobs. This jumped to 44% after the layoffs.
- Of those who were not laid off, 47% considered seeking other employment following the layoffs.
- Before the layoffs, 97% said they would recommend their place of employment to others who were seeking work. This dropped to 39% following the layoffs.
- When employees were asked about the effect of the layoffs on morale, 81% said that morale had dropped as a result of the layoffs.
- When asked about productivity and participation, 72% of those surveyed felt that downsizing had hurt productivity and participation levels in the organization.

Of course, you can't make a determination about whether downsizing hurts productivity based on a single case study, but this study is not the only research that has been done on the matter. A 1996 study by the American Management Association found that only one-third of the companies that downsized realized higher productivity after downsizing.

7 Ways to Minimize the Negative Impact of Downsizing on Productivity

1. Treat layoffs as a last resort.

Don't rush to lay off employees every time there is a slight decline in revenue. Your employees are valuable assets; downsizing should be considered only after other options have been exhausted.

2. Ask your employees for help.

Let them know that you need to reduce costs and ask for suggestions. Each individual has a different perspective. Your employees may suggest things you would never have thought of yourself.

3. is powerful.

If you are honest with your workforce, they will know it. If you hold back, they will know that too. By telling the truth and sharing the entire situation with them, you are showing them that their company cares enough to keep them informed. Sometimes just that knowledge is enough to overcome their anger over the situation.

4. Follow the Golden Rule.

Treat your employees as you would like to be treated if you were in their shoes. Try to respond to their concerns in a manner that makes them feel like the valued employees they are.

5. Provide a positive place to work.

Help your employees focus on the positive things that are happening. Each sale should be celebrated. Each project completed is a cause for celebration. Help them see the intrinsic value in what they do.

6. Demonstrate forward thinking.

Plan projects and activities with the same enthusiasm as before. Get your employees excited about the future and show them that you can put your personal fears aside and move forward.

7. Workload sharing.

[Brainstorm](#) with your employees to find ways to make do with less staff and resources. Find ways to spread the load more evenly, and delay low priority work. You'll reduce employee stress by creating a more balanced workload.

Employee morale can be maintained if proper dignity is accorded to those who lose their jobs. Offering help through an [outplacement firm](#) is a good way to keep morale high. If employees see that you are willing to help them find new employment, then current employees will value your efforts and work harder as a result.

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