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**How to Achieve Successful Downsizing:
Human Resource Strategies to Prevent Organisational Disruption
and Resistance to Change**

Ms. Deborah Simpson and Dr. Martyn Lowe

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Abstract

Change in organisations is a frequent event for many people working in the public sector today. Many theorists have argued that when organisations are downsized, there is a negative impact on all those employed there, both those directly affected by the change exercise and those who survive and continue in their jobs.

Some theorists have used the concept of the psychological contract to explore how workers might perceive downsizing and change as a breach of that contract and a betrayal of trust. Such a view may well create resistance to change from those continuing their employment with the organisation and reduced performance and commitment.

This study found that by using the appropriate human resources strategies staff experiencing downsizing and change, both those leaving the organisation and those staying, could come through the exercise less damaged.

Introduction

This study examines strategic approaches that can be applied by human resource staff to downsizing and general change situations, especially within the structure of contemporary local government (Lowndes, 1999). Local government in recent years has witnessed a number of internal structural changes including a degree of downsizing (Stewart, 2003). The traditional multi-layered and centralized bureaucratic structure has been replaced by a flatter, more flexible organization that facilitates faster response to customer and service needs and requires greater delegation of responsibility and autonomy for the entire workforce to line managers (Keen and Scase, 1998).

This change process has, in turn, changed the psychological contract between employer and employee as new sets of mutual expectations are introduced in the workplace (Rousseau, 1987). The need for corporate flexibility requires that more adaptive staffing strategies be implemented, which can both help to stabilize workforces and ensure that more cost effective structures are put in place with regard to fluctuations in service staffing requirements (Stoker, 2004). A detailed discussion of the advantages and drawbacks is presented below of such adaptive staffing strategies as the use of temporary help, outsourcing, shared services, work force adjustments, early retirement and contingent employee components as alternatives to layoffs during downsizing (McConkey, 1987; Parker, 1994).

Change as a Way of Life

Change is now the constant resulting in an uncertain, and sometimes less promising, future. Contingency planning and much flexibility is needed to help managers adapt quickly to service pressures and rapid change (Calori and Atamer, 1990; Stewart and Ranson, 1988). Frequently described as re-organisation, restructuring, downsizing or real sizing, the human resource effects of these changes have often been very destructive to individual lives, employment relationships and organisational efficiency (Stoker, 2004).

To avoid some of these negative effects of such change local councils can benefit from improvements in their human resource planning approaches (Boynton and Victor, 1991).

The purpose of this article is to investigate and explain two approaches, which human resource (HR) planners can use when dealing with downsizing situations.

Of importance to HR planners is the fact that these two approaches, though quite different, are equally useful (Schuler and Jackson, 1987; Stoker, 2004). They are representative of a whole class of human resource planning designs, which can be usefully applied to downsizing situations (Burack and Mathys, 1987; Milkovich and Mahoney, 1978). The first to be presented is descriptive and the second more of a systematic or analytical approach to organisational change, which has been used in small and large units.

Organization Design and Staffing Strategies

Diagram One below identifies the basic types of structural changes that local councils are undergoing in order to develop more efficient and effective organizations, which are adaptable to meet the different service requirements modern local government is obliged to meet. The traditional multi-layered and centrally controlled hierarchy of yesteryear is being replaced rapidly by a structure that is flatter and leaner to meet current and future needs (Parker, 1994).

The new organisational design facilitates faster and more efficient communication and information flow and results in more timely decisions focused on meeting customer needs (Stefik, 1995). Emphasis is placed on improving communications and work processes as a consequence of structural simplification (Devanna and Tichy, 1990). These approaches, however, impose new demands on managerial and staff member roles and change the character of work life for many (Ranson and Stewart, 1994). They also require there to be a new psychological contract between the individual and the organisation, which supports the introduction of the new ways of working, cross functional teams, customer and performance driven services and decentralisation (Tornow and Wiley, 1991; Lowndes, 1999). Getting the new relationship between organisation and managers and organisation and staff right is of paramount importance in ensuring that 'bloodless' changes in the numbers and skill-sets of the workforce are achieved (Meehan and Ahmed, 1990).

(Diagram 1) Organisational and Staffing Dimensions of Downsizing		
Characteristics	Old Hierarchical Structure	New Flatter Structure
Structure	Functional, ranked and defined by speciality	Reliance on cross-functional teams, working parties and organic in nature
Orientation	Inward focus on efficiency	Customer service and performance driven
Planning and decision-making	Centralised and delivered from the top, down.	Decentralised and delivered from the bottom, up.

The diagram above shows how organisations have changed within the three characteristics shown. The differences between the hierarchical structure and new flatter structure, emphasise the importance of implementing human resource policies,

plans and staffing strategies, which promote organization flexibility and reduce violent employment swings. The difficulty appears when these policies are introduced by organizations without fully defining the new employment relationships and responsibilities within a new psychological contract (DeMeuse and Tornow, 1990; Rousseau, 1989).

The psychological contract, what is in fact an emotional bond between employer and employee, is implicit and includes mutual responsibilities and expectations between the two parties which must be, at least, the subject of consultation before change processes commence.

Compliance motivation reflects the degree of shared belief and trust that exists in the workplace, which emphasises the importance of consultative processes and meaningful consultation in achieving the new relationship and understanding between organisation and manager and organisation and staff member (DeMeuse and Tornow, 1990, pp.209-205). It is particularly relevant to this discussion on right-sizing because the greater the success with which these newer responsibilities have been worked out, the greater the support for flexible, adaptive strategies, and the greater the reduction of damage as a result of imposed turnover. If changes to the psychological contract between employer and employee is not properly consulted on, then the full benefits of creative, adaptive strategies may be substantially reduced.

Psychological Contract and the Foundation for Adaptive Strategies

Employment relationships in the past assumed a fair day's work (employee's responsibility) for a day's pay (employer's responsibility) under relatively stable business conditions. Loyalty and sustained good work were rewarded through varying degrees of job security (Parker, 1994). Now, however, constant change, uncertainty and temporariness have largely replaced stability, predictability and permanency. Continuous performance improvement, acquiring new skills, employee flexibility, cost options and adding value have assumed great importance to companies. These reorganizations continue today and many are expected to continue for years to come (Lowndes, 1999). Yet, if employees recognized that "their" company was undertaking creative and consistent actions to preserve their employment (security), trust could be (re)established and the success of the adaptive strategies described in this paper would be enhanced (Boynton and Victor, 1991). Clearly, no consultative process can be truly an exchange of views if full and accurate information on the proposed changes is not provided to all those affected, even remotely. Similarly, to facilitate an exchange of ideas and shared ownership of the exercise, staff views on the change process must be sought (Burack, 1993). To evidence to all involved that the organisation listens and acts, making the consultation process meaningful, the staff views on change must be seen to be acted upon or at least that a considered and reasoned response is provided justifying why the views have not been acted upon (Nienstedt, 1987). It goes hand-in-hand with this notion that staff must have the opportunity to voice disagreement with the change process in the absence of being able to alter the change process. To maintain the psychological contract and all the implied duties and emotional ties that come with it to both parties, there must be constant support from the line manager during the change process available to all staff (Lowndes, 1999). In accordance with the duties incumbent upon managers during this period of change, the process adopted must be seen as both fair and equitable and that all staff are treated equally and with sympathy. In so far as is possible, staff should feel that they are maintaining their personal job security during the change process, a duty which encompasses an assurance that all staff are trained to meet the skill demands of the new job role

coming out of the process (Devanna and Tichy, 1990). English employment law suggests that staff undergoing change, which places their employment at risk, have a right to be consulted in a way that ensures that they do experience these key areas of consultation. Ensuring these key areas of the change process within the psychological contract are adhered to should provide a foundation for the implementation of adoptive strategies. The key areas are:-

1. Information on the change provided
2. Staff views on the change are sought
3. Staff views on the change are acted upon
4. Staff have the opportunity to voice disagreement with the change
5. Support from manager during the change
6. Change process seen as fair and equitable
7. Staff feel job security during the change process
8. Staff are trained to meet new job roles

These eight key areas are those tested below in the survey questionnaire issued to the staff embarking on the change process in their own organisations.

The Methodology used in the Study

Three local councils seeking to reduce their workforce numbers through outsourcing, redundancy or natural wastage were approached for permission to invite staff under threat of redundancy to complete a questionnaire. The questionnaire covered the eight key factors discussed above, which should form part of a consultation exercise under English law, to determine what comparative importance the survey population saw the eight key areas. Interviews by telephone with thirty-two of the participants following the completion of the survey covered how they felt in retrospective over the importance and comparative importance of the key areas. In the end 144 staff at principal officer level, across all disciplines within central support services, in three county councils took part in the survey out of 232 originally invited. This was a return rate of 62 per cent.

Results of the Survey Questionnaire

Important Factors in the Change/Downsizing Process (Diagram 2)					
Factors	Degree of Importance (Shown in per cent of staff)				
	Very Unimportant	Little Importance	Important	Some Importance	Very Important
Information on Change provided	2	2	7	26	63
Support from Manager during Change	3	1	5	25	66
Change process seen as fair and equitable	3	1	8	23	65
Staff feel job security during the Change process	2	2	7	26	63
Staff are trained to meet new job roles	2	2	8	30	58
Staff views on Change	2	2	6	31	59

are sought					
Staff views on Change are acted upon	2	1	4	25	67
Staff have opportunity to voice disagreement with Change	2	3	15	37	43

What Diagram 2 Shows

The response to the questions set out in the survey shows that all the key areas are recognised as of great importance. Although respondents were encouraged to add their own free-hand additional key areas none were added to the list.

The two measures, staff views acted upon and management support during change are deemed by the survey respondents, and the interviewees to be the most important, very important, measures. The least favoured measure is that staff have the opportunity to disagree with change.

The interviewees provided an insight into the different degrees of importance between these measures. The information derived from the interviews suggests that staff recognise that the managers in charge of the change process determine how fair the process will be, how much staff involvement in decision-making there is and how much staff can influence the way the process is operated.

Generally, the staff involved in the survey and interviews suggest that they are receptive to policies within an overall strategy seeking to ensure that they have ongoing job security through planned workforce change.

The problem arrives when they are asked to consider what sacrifices they themselves might make in terms of their own job configuration, skills development and work/domestic considerations balance in order that a flexible workforce can be developed. Most are prisoners or believe themselves to be prisoners of their skills and professional expertise as much as they are concerned by ambiguity around the shape of their job and its duties or by their work/domestic obligations.

Planning Change to Avoid Down-sizing

As staffing decisions at the time of change become more critical regarding who to keep, and who to terminate, flexibility, creativity and technical competency become important selection criteria (Burack, 1993). The message should be clear that, under the new organizational arrangements described above, human resources as assets are as important as the local councils work technology. Recent events suggest to human resource planners that work force characteristics are likely to become more unpredictable rather than more stable. Unforeseen changes are expected to increase. Despite the best long-term human resource plans, unforeseen events occur. Planning for uncertainty has become an art all its own, as well as a fundamental component of all successful organisations strategic planning (McConkey, 1987). Human resource programmes are needed to recruit, retain and retrain the numbers and kinds of people to meet the organization's strategic needs. Adaptability, rather than stability, has become the watch-word of the day. In the midst of rapid change human resource planners need to realize that fluctuations in staffing

levels are inevitable, however, the downsizing attempts of local councils too often are short-term and budget driven. Local government has found that financial improvements may last several quarters or even a year or two, but soon the need to repeat the restructuring and redundancy exercises of previous years becomes evident. In short, staffing level fluctuations may be greatly exacerbated by traditional top management thinking or failure to change its established ways. Unfortunately major staff reductions continue to dominate the local government headlines and have contributed to an atmosphere of distrust among employees and managers.

The Need to Tie Downsizing to Strategic Plans

Most council's fail to tie downsizing solutions to the longer-term strategic needs of the organization. Employees who are critical to the long-term survival of the organization may take advantage of early-retirement programmes or even be lost through voluntary redundancy programmes. What's needed is to view these adverse situations as opportunities and not solely as threats. In addition, downsizing councils often understate the "hidden" costs of making employees with years of experience, training and education redundant.

Many local councils recruit and select individuals with professional qualifications because it is essential to have people with advanced or technical preparation, and also because these people are perceived to have the flexibility appropriate to deal with workplace and work skills/knowledge changes. The latter assumes the ability often to undertake preparation in a semi or unrelated discipline, master cross-training and/or display adaptability to new situations. One of the greatest challenges presented to human resource planners is the necessity to find ways of attracting and developing new employees to deal with the changes taking place in professional knowledge, new technology and local council business needs. Of equal importance is the organization's need to develop and retain a stable core of professional expertise during rapidly changing conditions.

An Adaptive HR Strategy

Corporate flexibility has become an imperative and thus adaptive staffing strategies need to be implemented. Under an adaptive strategy, the major focus of human resource planning is to enhance flexibility in order to cope with change.

Diagram 2 illustrates how adaptive staffing strategies can provide for a stable work force, service or output level when faced with fluctuations in expected demand. The first step in developing a programme based on this diagram is to forecast a range of possible service demand levels. It is important to identify both highest and lowest expected demand levels since these levels will serve as the range for future employee requirements. Since significant uncertainty accompanies these future estimates, flexibility and the availability of shorter-term adjustments or change measures are important in adaptive strategies. Once these range levels are set, they become guides as the organization determines the staffing necessary to satisfy the lowest estimate of demand (e.g., in terms of employee work hours or output). These "core" employees would then enjoy greater employment security and can expect to be retained by the council employer during large variations in output level and be protected from typical cyclical fluctuations or change exercises now common across local government. Naturally in organisational growth or decline situations, more caution would be exercised before adjustments are made in "core" employment

levels. The resulting employment security of core employees differs significantly from the insecurity of others and has significant implications for HR management practices.

Adaptive Strategies for Work Force Levelling (Diagram 2)		
Adaptive Strategies	Advantages	Disadvantages
Adjustment of workforce by size of numbers or hours worked, increasing and decreasing staff numbers, overtime allowed or shortened work hours	Fixed costs are kept low and predictable and stability is retained in the skills of the council	Staff turnover likely to increase if changes to the workforce do not suit the existing staff There maybe low morale, loss of skills and resultant inefficiencies in service delivery
Part-time or temporary help increased to produce greater flexibility in the workforce – bank arrangement to deal with peaks in demand, vacancies that arise, predictable turnover.	Helps meet service targets but increases costs through no savings from vacancies, more manager support for non-permanent or part-time staff, reduced training investment - maintains flexibility meets certain employee needs	Part-time staff requires "extra training", less commitment, loss of continuity and consistency in dealing with customer service issues due to split role or part-time working.
Use of subcontractors or outsourcing	Increases capacity maintains flexibility attention to critical activities	Union contract may not allow loss of control
Phased and early retirement	Frees positions for younger or staff with less service staff and reduces labour overheads and turnover	pension cost increases and there is a loss of skilled employees
Shared services	Reduces initial loss of control/ investment pools staff talent reduces permanent work force commitment	Accountability reduced and there may be no clear line of authority or accountability for meeting service targets

The core employment group, although more secure than other "employees" in the council, still will not enjoy the type of job security of earlier years. The new psychological contract (between council and employee) for today and the future includes offering "employee empowerment" and shared decision-making to recapture employee loyalty and commitment in return for a lean organization with less managers and lower costs. A key aspect of this is the sharing of knowledge and information. Organizations will expect employees to be more self-reliant and take on greater responsibility. In addition, their careers are likely to be more broadly based or professionally oriented to offset decreased opportunities for upward mobility and increase the flexibility across the professional skills and beyond needed by the organisation. Where unions are involved, however, agreements must be reached with union officials to avoid conflicts around the alignment of adoptive strategies with

the business needs of the council. Unfortunately, the process of this alignment may become complex where unions are involved, because of historic mistrust between the two sides. Understandably, where no redundancy or full employment policies have existed for many years, change exercises resulting in job losses have damaged the trust relationship that should exist. Current partnership arrangements are sometimes built on the basis of weak unions and strong management rather than equal partners. Councils who have incorporated employment levelling or reduction process within their recognition agreements have provided a platform for considering change in the light of the cost of recruiting, training, and retraining staff through change which can be considerable, but less expensive than the costs associated with workforce reductions.

Keeping Staff Morale High During Change

Volatile work force staffing policies create poor morale and reduce loyalty among workers; these often result in loss of skilled people who leave for "more secure," stable or creative organizations. This has occurred where councils have opted to work employees overtime for long periods of time rather than hiring additional workers who require training to become as productive. Such temporary 'fixes' cannot make the impact that a considered programme of adaptive strategies can.

Use of Temporary or Part-time Help

Once used almost exclusively by organisations faced with seasonal demand, the use of temporary help or part-timers has been increasing in councils both to keep employment costs down and to benefit from the largely untapped workforce of part-time professionally qualified staff, often with family commitments, largely uncatered for by the private sector. Today, in some council's part-time help may account for three-fourths of the professional work force below senior level. The proliferation of "temp" agencies suggests strongly that more people and organizations find this a useful strategy with permanent part-timers now make up an increasing part of the local government work force.

Use of Subcontractors, Contract Assistance and Out-sourcing

The interviewee's suggest that subcontracting out work helps to stabilize the work force by absorbing the demand that comes with unusual conditions. Some councils have used their own highly competent retirees or laid-off professionals to meet these needs. Other councils have invited private companies to take over running services and then to serve the council as suppliers. Several constraints, however, may limit this option. These include the cost of such arrangements and the industrial relations and political impact of contracting out services. Also, the loss of direct control and the cost of contracting out are issues that historically have resulted in councils bringing work back in-house. However, as councils continue downsizing efforts, they have discovered that much expense and business time can be saved by concentrating on critical activities while increasingly outsourcing less critical jobs to organizations specializing in those areas, most often support or central services, HR, Finance, Legal etc., services provided by strategic partners, being private companies.

Phased and Early Retirement

Councils have purposely made early retirement programs more attractive in recent years, although some important limitations are attached to these. Not only does this open employment opportunities for younger and more often lower salaried individuals but also it serves to provide opportunities for jobs to be redesigned and refocussed. Increasingly, phased retirement programs are being established to prepare people for retirement, while also shifting responsibilities to younger, high potential employees. In some cases, early "retirees" continue with their "old" organization in either a consulting or project management role.

This satisfies their need to make a gradual transition from full-time work to a reduced work week or full retirement lifestyle. At the same time organizations reduce their staffing overhead and better match their need for specific expertise.

Councils often have determined whether the benefits received by staffing with younger employees outweigh the "complete" loss of skilled expertise, especially if new recruits are less reliable and/or skilled than the staff they are replacing.

Shared Services

Many council's are putting in place shared services, where of employees from different councils combine to provide services sharing talents and skills and reducing costs through the economies of scale. By pooling or centralizing such services as HR, Finance, Legal etc., a reduction may be realized in both cost expenditures and in the permanent work force required. Care should be taken when designing these organizational arrangements to avoid situations that can result in loss of control and accountability or reduced reliability, faults which have occurred. Failing to set priorities or having poorly defined reporting relationships can offset the benefits of these approaches. As the local government and work environment changes, councils are increasingly needing to consider either the pains of downsizing or to choose adaptive human resource staffing strategies that fit their long-term strategic plans.

Conclusion

The widespread practice of downsizing in local government to reduce costs and improve response time has not been fully thought through as to its strategic organizational and staffing consequences. Even using an adaptive strategy to avoid workforce change through down-sizing means changing the employment conditions of local government. Through the creation of a newer psychological contract with responsibilities, expectations and conditions far removed from the mutual and implicit assumptions of previous decades, local government may prevent their staff, with all the investment made in them, from having to be removed in response to budget reductions. The development of adaptive strategies and the new psychological contract should be acknowledged because of their potential effectiveness in support of business strategies in developing an employment relationships capable of maintaining organisational performance through periods of change. Organizational and staffing matters are an inherent part of thoughtful and necessary workforce planning approaches aimed at predicting and planning for change.

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