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Human side of retrenchment

Candy Minner Holt

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THE HUMAN SIDE OF RETRENCHMENT

by

Candy Minner Holt

B. A., California State University, Long Beach, 1976

Presented in partial fulfillment of the requirements
for the degree of
Master's of Public Administration
University of Montana
1990

Approved by

[Signatures and initials]
Chairman, Board of Examiners
Dean, Graduate School

Date
June 26, 1990
To
Neil
Mom and Dad
and the
family, friends, supervisors & co-workers
who through their patience and support made this possible
The ultimate purpose of a successful organization is the human development of the people working there and the corresponding contribution to the community.

-- paraphrased from Michael Ray,
Stanford School of Business
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INTRODUCTION

Employees are an organization's lifeblood. As such, they should be valued and protected by the organization. However, organizational survival sometimes depends upon the successful implementation of cost-cutting measures, and it is the employees in such situations who are most severely affected.¹ The need for "belt-tightening" frequently introduces such new and frightening terms into an organization's vocabulary as retrenchment, cutback management, reduction-in-force, reorganization, and downsizing.² Workers may subsequently realize a fate of reduced hours, lost benefits and wages, layoff, or a combination of these.

A common assumption in the retrenchment literature is that economic setbacks are typically temporary aberrations with ensuing economic growth anticipated. As such, the textbook treatment of the subject has traditionally emphasized the mechanics of how to achieve a reduced work force -- predominately through layoff. These approaches


have stressed:

1) practical steps to effect a layoff in accordance with applicable organizational policies and/or collective bargaining agreements; and,

2) the timing of announcements and the dissemination of information, i.e., who hears what when.

Concern over employee morale often takes a back seat when the focus is on retrenchment. A common attitude is that once the financial crisis is over, workers will regain their status and employee morale will improve. Unfortunately, this is not necessarily the case. If employee relations are not handled with care and compassion during periods of retrenchment, the organization is likely to experience negative, long-term consequences. The most talented employees, for example, are likely to quit voluntarily during periods of retrenchment. It is therefore incumbent upon management to sustain positive employee attitudes during budget cutbacks.³

Largely ignored in the research literature on this subject is a circumstance faced by many employers today: how to cope with the increasingly harmful psychological effects on employees of working under prolonged periods of economic crisis. When organizations experience long term economic setbacks, the resultant atmosphere shapes employee

relations from that point forward. This paper explores how organizations in a sustained "retrenchment environment" can successfully respond to the human needs of employees given reduced work forces, increased workloads, elimination of promotional opportunities, salary cuts, salary freezes, and loss of benefits.

At the very least, deliberate and positive management intervention is required in order to minimize the wide range of feelings that employees may suffer, including guilt for surviving layoffs; anxiety about their own job status; stress from increased workloads and lack of resources with which to perform the job; resentment stemming from insufficient rewards; and lack of self-worth. These feelings may manifest themselves in poor employee morale, loss of interest, increased tardiness and absenteeism, inability to concentrate on the tasks at hand, lack of initiative and creativity, and the inability to follow through on routine tasks, all leading to low productivity. A major purpose of this paper, therefore, is to determine what organizations can do to minimize the adverse effects upon employees resulting from chronic retrenchment. Recommendations will be presented to assist public sector managers who find themselves in situations characterized by chronic retrenchment.

This paper will not be a case study of any specific public agency facing economic crisis. Rather, it will
address this issue generically -- exploring optimum organizational reaction to less-than-prosperous times: before, during, and after the "crisis". The decision to approach this topic in broader terms than a specific case study is a deliberate one. A case study severely limits the discussion of this broad issue. The intent of this paper is to explore the innovative avenues pursued by various organizations in these circumstances. Consequently, conclusions and recommendations offered in this paper are derived primarily from library research. Because much of the research in this area concentrates on the private sector, the challenge has been to select processes and techniques proven successful there and adapt them to the public sector.

This paper will include four sections; Chapter One provides a brief overview of traditional cutback management techniques; Chapter Two discusses the psychological effects of prolonged periods of economic crisis on employees; Chapter Three explores innovative organizational solutions/strategies to sustain employee morale during periods of retrenchment; and Chapter Four offers final observations and recommendations.
CHAPTER ONE

Traditional Cutback Management Techniques

Traditionally, management has responded to economic crisis by reducing the workforce. Employees were often handed "pink slips" without an explanation of why they had been selected for lay-off. The lucky ones were recalled when times got better.

The advent of employee advocates, collective bargaining agreements, and legislation protecting employees has brought greater employer responsibility. Organizations have become increasingly obligated to follow prescribed rules for effecting workforce reductions. Workers are now generally given notice of impending layoff, protected by seniority clauses, and provided certain recall rights.

The economic decline experienced in the last decade has prompted numerous cooperative agreements between management and labor to reduce wages, hours, and/or benefits. Salary freezes are frequently used to forestall the need for layoffs. In rare circumstances, organizations -- particularly in the public sector -- have encouraged employees to take time off without pay in order to stay within budget. Overtime has sometimes been eliminated and job-sharing has been implemented. As a result of these
actions, layoffs have often been avoided or, at least, postponed.

Organizations may also rely on attrition to reduce the workforce. Hiring freezes may be imposed so that as employees leave, positions remain vacant. "Golden parachutes" are also common. In this case, management encourages older employees to exercise early retirement options -- many times adding a substantial financial reward as an inducement.

Another traditional cutback technique, described by Leote, is to eliminate staff positions in support departments before eliminating other kinds of personnel. An example is human resources, also known as personnel services. This unit is often expected to carry out workforce reductions. The irony is that when the services of this department are needed the most, both by managers and employees, reduced staff levels limit their availability.

Despite increased protections for employees during layoffs and collaboration between labor unions and management, traditional lay-off procedures have changed very little. Workers are let go without much concern for the effects on remaining employees. If management is insensitive to the needs and concerns of those who remain, employees are likely to become demoralized and less productive. Employees, it

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must be remembered, are people with human emotions and feelings. Maintaining a sense of worth is important not only to the mental health of the individual employee, but also to the productive health of the organization. The next chapter explores the potential effects of retrenchment on employees and the internal organizational culture.
CHAPTER TWO

Effects of Retrenchment on Employees & Organizational Culture

To maintain employee morale and productivity during periods of retrenchment, public sector managers must attempt to minimize the harmful effects of retrenchment on employee attitudes and to the organizational values that shape an organization's culture. This chapter reviews what is known about the effects of retrenchment on these two sets of variables.

Psychological Effects of Cutbacks on Employees

The employment status of workers may change in significant ways as a result of budget cutbacks. Workers may be laid-off, thus severing their ties with the organization; "bumped" to another job, including downgrading to a lower-paying position; reduced from full-time to part-time work; or allowed to retain their current position. As will be seen below, these changes may have serious psychological effects on those employees remaining on the payroll, including increased fear and anxiety, reduction in self-worth, apathy, guilt, depression, and, risk avoidance.

One psychological effect experienced by employees is the fear and anxiety of wondering "when will it happen to
me?" According to the U.S. Department of Commerce, since 1983,

4.7 million workers who had held their jobs for at least three years have been dismissed. About a third took pay cuts of at least twenty percent in their next position; a fourth have yet to find new jobs...the job market is racked by a constant churning, along with a tumultuous shift from full-time jobs to part-time and temporary labor.\(^5\)

These statistics accentuate the cloud of doom hanging over the heads of survivors. There is a continued sense that no one is safe. Cone suggests that these feelings may alienate employees and cause them not to pass along information about worn-out machinery, morale problems, safety violations, and other more serious issues for fear of reprisal.\(^6\)

The fear of losing one's job may also threaten an employee's sense of self-worth. What work we do and who we work for have always been important to American workers. In fact, for many people the answers to these two questions actually define their own identity. For example, when people meet for the first time, two of the questions frequently asked are: "What do you do?" and "Where do you work?" Consequently, when this identity is threatened, it can be a traumatic experience. The sense of well-being and self-worth that comes from being a contributor to a group is

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diminished, and the realization that a person's job is "not important" can be devastating.

A third psychological effect born of prolonged economic crisis is apathy. This can be described as the "why try, it doesn't matter anyway" syndrome. According to Isabella, employees in such situations are increasingly convinced that extra effort has little worth. They may quit taking initiative and start withholding insights and recommendations. Although they may continue to perform their jobs as prescribed, they do so with no commitment to the organization. Isabella maintains that the individuals most frequently susceptible to these feelings are often those who are valuable resources because of their years invested with the organization. However, due to the economic circumstances of the organization, they may have been disillusioned once too often.

A fourth psychological effect, guilt, is a common reaction among employees who survive organizational downsizing. Although they may be relieved that they were spared, they may also experience guilt for exactly the same reason. These feelings, if not immediately recognized, may lead to depression -- similar to that experienced when grieving the death of a family member. Dr. John Rush describes this kind of depression as "situational

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Symptomatic of situational depression is sudden weight gain or loss, troubled sleep, decreased productivity, forgetfulness, anger, "increased absences, notably on Mondays, withdrawal from co-workers, a general slide in the quality of work or an increased level of mistakes," and such signs as rejection of opportunities, poor concentration, personality changes, and deterioration in personal appearance.

Finally, employees who were formerly courageous and willing to be innovative may suddenly develop a strong aversion to taking risks. The pressure to demonstrate adequate, if not superior, performance given reduced resources and support leads to increased stress and ultimately burnout.

**Effects of Cutbacks on Organizational Culture**

Edgar H. Schein defines "organizational culture" as:

the deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate subconsciously, and that define in a basic "taken-for-granted" fashion an organization's view of itself and its environment.

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Organizational values may be revealed in how an organization conducts its operations and in how it is hierarchically structured, i.e., who is at the top of the pyramid and how one rises to that position. Organizational values are powerful in that they strongly influence employee performance and how employees communicate both inside and outside of the organization. They determine what ethics are stressed within the organization. For example, Montana Power Company publishes its "Business Philosophy," which states that "...our employees have the right to expect:...prompt, accurate information about policies, plans, projects and events affecting their employment and the future of the Company." Organizational values also guide the decisions that employees make on the job by making known acceptable parameters for decisions and actions.

The many psychological effects described above that occur in organizations experiencing prolonged economic crisis may have harmful effects on organizational culture. Decreased employee morale, the turnover of key employees, rampant spread of misinformation and rumors, increased incidence of illness both real and imagined, and increased on-the-job accidents are all manifestations of the human costs of downsizing.

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Integral elements of organizational culture in American organizations, for example, are the values placed on job security, seniority, chance for advancement and compensation. Retrenchment threatens these values and thus affects the organizational culture that is so essential to positive employee relations.

First, organizational downsizing violates employees' trust in their employers. In fact, declining employee morale as a result of organizational restructuring was cited by 69.3 percent of the companies responding to a 1989 ASPA/CCH survey on the subject. As Isabella notes, "employees question the move's impact on them personally, the effect on their job or their ability to perform their organizational responsibilities, and the effect on their career advancement and growth." Expectations regarding career advancement within the organization are also affected by retrenchments. According to Isabella, employees respond to organizational economic crisis based on where they are in their career development. Those at the beginning of their careers will assess the event in terms of their ability to continue to perform. In this case, the major concerns become the availability of


13 Isabella, "Downsizing: Survivor's Assessments, p.36.
financial and human resources, the maintenance of existing communication networks, the implementation of new performance standards, and the loss of favored supervisors. Those employees who have reached a basic level of competency have already turned their sights to advancement. During economic crisis, Isabella notes that these employees question the opportunity for advancement. Foremost in their minds is whether or not the organization values their expertise. Although advancement opportunities may be created in the face of economic crisis, the trade-off may be re-location or lateral moves. Neither may be the employee's preferred choice. In fact, re-location may present serious problems for individuals engaged in relationships where both partners work.

Other employees, Isabella continues, have already proven themselves and consequently de-emphasize position advancement as a need. Their principal concern is with the level of "comfort" with their position. They are more likely to be concerned about job, financial advancement, and financial security. Their tenure with the organization makes them eager to share their expertise and broaden their skills. When these opportunities are non-existent, these employees may actually begin to feel that those colleagues who left are actually better off. Job security, financial security, and career advancement are important values to employees. When they are threatened, the mutual
expectations that comprise organizational culture are threatened as well, causing employee morale to decrease.

Employee turnover also affects organizational culture negatively. Since forced downsizing is most often executed on a seniority basis -- last in, first out -- any voluntary exodus on the part of the survivors can result in the loss of the "stories" by which organizational culture is transmitted and sustained. These stories reflect the values employees share, prescribe how things are to be done, and the consequences of compliance or deviance. As Wilkins explains,

(when) organizational membership is relatively long term, the participants begin to have time and the "material" with which to fashion stories. They also have time to pass on stories told by management...the stories may become symbols and provide...social integration and committed energy."

With the loss of such stories, rumors and misinformation may circulate rampantly. According to Frank, when accurate information is not forthcoming, employees expect the worst. Management's dissemination of information in bits and pieces may be just as detrimental. Employees quickly adopt negative attitudes toward the organization that are reflected in their job performance and their dealings with customers and vendors outside of the

"Alan L. Wilkins, "Organizational Stories as Symbols which Control the Organization," (unpublished graduate paper, Brigham Young University, 1980), p. 8."
organization. The result is a loss of pride in the organization and the disintegration of loyalty to the organization.

Loyalty to the organization is an important part of organizational culture because it creates the sense of commitment that is necessary if employees are to be productive. When employees labor in an environment laden with cutbacks and layoffs, the psychological impact on the employees damages the fragile bond between employee and employer. The result is the deterioration of employee loyalty toward the organization. In a recent Time/CNN poll of 520 workers, 63 percent said workers are less loyal to their employers today than they were a decade ago; 48 percent indicated that they "only somewhat" trust their employers to keep their promises; and, 50 percent indicated that within the next five years they expect to change jobs (See Table I).\(^\text{15}\)

When loyalty wanes, so does commitment. According to James O'Toole, "when people do not have faith in their institutions,...then those institutions lose legitimacy."\(^\text{16}\) Employees who feel that they count are more likely to internalize and act out the organization's values and traditions. Conversely, employees who feel they do not make

\(^{15}\) Castro, "Where Did the Gung-Ho Go?", p. 54.

### Table I

**Employee/Employer Loyalty**

<table>
<thead>
<tr>
<th>Compared with ten years ago, are companies today more loyal or less loyal to their employees?</th>
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<tr>
<td><strong>MORE</strong> 25%</td>
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<tr>
<th>Compared with ten years ago, are employees today more loyal or less loyal to their companies?</th>
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<tr>
<td><strong>MORE</strong> 22%</td>
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</table>

<table>
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<tr>
<th>Do you think it is likely or unlikely you will change jobs within the next five years?</th>
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<tbody>
<tr>
<td><strong>LIKELY</strong> 50%</td>
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</table>

... a difference are more likely to ignore -- or even resist -- the organization's values and traditions.¹⁷

In light of the many negative effects retrenchment may have on an organization's human resources and culture, it behooves management to nourish the human factors in an organization and cultivate positive employee and employer relationships. Chapter Three discusses selected concepts for nourishing employee morale.

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CHAPTER THREE

Fostering Employee Morale

Both private and public sector managements have attempted to meet the challenge of improving morale among declining work forces. Organizations that have been successful have introduced various innovative and creative ideas intended to foster employee morale. Approaches which concentrate on increased employee participation in setting organizational goals and which are founded in a genuine belief that employees are valuable will be explored here. These include deliberately managing organizational changes, improving communication networks, offering training opportunities and flexible work arrangements, establishing health club/day care facilities, workstyle management, and implementing developmental assessment centers. The concepts described are not intended to be an exhaustive list. They are, however, considered to be representative of ideas that, if implemented, produce a happier workforce. Some constitute good, everyday management techniques whereas others are more specific to retrenchment. All possess concepts basic to organizational survival.
The Need for Planned Change

According to Silverhorne, the most important technique that employers can use to maintain good employee morale during prolonged periods of economic crisis is to plan for it. If change can be planned in advance, and planned from an organizationwide perspective, then "make-shift" solutions that might not hold up under pressure can be avoided.

The planning process, Silverhorne continues, must anticipate those concerns which will be paramount among employees -- job security and increased workloads. For example, positions targeted for elimination must be identified and the individuals affected notified as soon as possible. Employees must be informed of the options available to them: transfer, retirement, layoff. Counseling programs aimed at providing information on retirement options, benefits available after termination, and job search techniques must all be on the agenda. Some organizations have expanded these programs to include such outplacement services as financial planning advice, skills assessments, and in the extreme, retraining. Employees covered by collective bargaining agreements with provisions for the enforcement of "bumping" clauses during times of layoff must be kept posted of the possible impact on their jobs.

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18Silverhorne, Planning, p. 63.
The attitudes of employees who are lucky enough to retain their positions or transfer to other positions within the organization will be affected by how the organization deals with employees losing their jobs. In addition, survivors will have valid concerns about the increased workloads that inevitably result during retrenchment. In most organizations, it is unrealistic to believe that elimination of positions will not produce increased burdens on those who are left behind. Management must take appropriate action to insure that job duties are fairly distributed.

J. Alan Ofner, President of Managing Change, offers a comprehensive plan for managing organizational change (see Table II). Key elements of this planning process are clarifying objectives, involving employees in decision-making, and making needed changes in the least disruptive ways.

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Table II

**Essential Steps for Managing Organizational Change**

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<tbody>
<tr>
<td>1.</td>
<td>Make certain the anticipated change is necessary, the reasons for it are clear and that the objectives, the &quot;what&quot; and &quot;why&quot;, are also clear. State them in writing.</td>
</tr>
<tr>
<td>2.</td>
<td>Involve those who will be effected [sic]. To the extent possible, include individuals or groups from all levels of the organization. Participation in change not only gains understanding but also commitment.</td>
</tr>
<tr>
<td>3.</td>
<td>Anticipate both roadblocks and facilitators to change such as corporate values, individual fears, organizational strengths, marketing and operating advantages and customer loyalties.</td>
</tr>
<tr>
<td>4.</td>
<td>Establish a plan for change including the human, financial or physical resources either involved or required.</td>
</tr>
<tr>
<td>5.</td>
<td>Time change so that it is least disruptive. Look for &quot;natural&quot; times to make changes and space the changes in an orderly fashion.</td>
</tr>
<tr>
<td>6.</td>
<td>Set a communications strategy that could include the Board or any other governing body, employees at all levels, any unions and, depending on the character of change, the financial community and key customers and suppliers.</td>
</tr>
<tr>
<td>7.</td>
<td>As part of the change undertaking [sic], put in place a means for measuring, monitoring and correcting.</td>
</tr>
</tbody>
</table>
The Important Role of Communication

Communication is a key element to the successful implementation of changes identified through the planning process described above. According to Frank, studies have indicated that the employees' need for information regarding proposed organizational changes, the reasons for those changes, how those changes will affect one's job, and how individuals can actively participate in the changes far exceeded management's willingness to provide that information. An overwhelming majority of employees have stated that communication about things such as layoffs and hiring freezes in their organization are "very ineffective" or "somewhat effective." The outcome is that the organization's grapevine -- and every organization has one -- becomes the dominant source of information, yielding disastrous results.

According to Eves, management can effectively prevent rumors and subsequent employee anxiety by using a simple four step process:

1) **The Announcement:** make a general announcement of impending changes, the implications of those changes on the organization, and the reasons for them as soon as practicable. Inform the employees

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before outsiders are told -- e.g. the media and the community.

2) **Meetings with First-Line Supervisors:** encourage regular meetings between employees and first-line supervisors to determine employee concerns.

3) **Individual Discussions:** encourage one-on-one discussions between supervisors and employees to help allay fears and to answer individual questions.

4) **Meeting with Top Managers:** frequent meetings of the top managers will help in the development of strategies designed to be responsive to employees' needs.

The goal here is to make sure everyone hears the same words from the same source at the same time.\(^{21}\)

An organization emphasizing communication provides opportunities to ventilate feelings and emotions. Consequently, negative attitudes that may prevent constructive problem solving are reduced. According to Blake and Mouton, a free and open exchange of information facilitates the rejection of old norms and the acceptance of ones that square better with the facts of the present situation.\(^{22}\)


An environment emphasizing communication also helps build employee acceptance of needed changes. An open, direct, and unbiased explanation of the financial crisis facing the organization accompanied by an invitation to suggest solutions fosters acceptance among employees because they begin to feel that they are a vital part of the decision-making process. By coupling this with positive strokes and feedback, management can motivate employees to rally and put forth their highest level of performance for the good of the organization. Glicken and Janka maintain that management must first recognize that increased motivation and job satisfaction are important goals, and then must challenge employees to overcome the tendency to give up by offering them the opportunity to be creative in their jobs.\(^\text{23}\)

Sustaining Employee Morale

Team building, open communication, and strategies to motivate employees all act to improve morale, but are insufficient to maintain it at high levels. An additional means of sustaining employee morale is to provide opportunities for job enrichment to employees who are increasingly concerned about the quality of their work life. When employee development opportunities are unlikely due to

limited funding, job enrichment can often be accomplished by offering training and redesigning specific jobs.

Many employers have implemented education and training programs for their employees in order to keep pace with changing technologies, share information with their employees, and teach employees new skills or enhance current skills so they can make a contribution to the workplace.\(^2\)\(^4\) For example, the Au Bon Pain Co., a gourmet fast-food chain based in Boston, believes that training and job enrichment are a matter of survival. Management has implemented a job-rotation program which allows senior-associate and general-manager level employees to spend 12 to 24 months in corporate staff jobs. In addition, store managers are taught how to repair equipment; training time for store operators has been tripled; and all employees are given a general management and skills course which is geared to their position.\(^2\)\(^5\)

Although benefits from job rotations and training were achieved at the Au Bon Pain Company during a period of relative economic stability, Silverhorne believes that such benefits may be achieved during periods of retrenchment as

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\(^2\)\(^5\) Joseph P. Kahn and Susan Buchsbaum, "The Training Imperative," *Inc.*, March, 1986, p. 120.
well. Times of economic shortfalls provide good opportunities to redesign jobs. Redesigning and rewriting work assignments and job descriptions typically provides employees with additional responsibility for planning, setting up, and checking their own work; for making decisions about work methods and procedures; for establishing their own work pace; and for dealing directly with the client who receives the results of the work. According to Hackman and Lee, employee satisfaction is realized through individual growth and increased feelings of competency and self-worth that result from job enrichment.\(^{26}\)

Flexible work arrangements have been adopted with positive results by companies experiencing prolonged periods of economic crisis. According to Better, organizations are increasingly experimenting with part-time work, job sharing, and alternative work sites — such as working at home via computer in order to keep the valued, trained, strong performing employees.\(^{27}\) Sabbaticals are also becoming popular. Valued employees are receiving permission to take leaves of absences of varying lengths to recharge their batteries.\(^{28}\)


\(^{28}\)U.S. Department of Labor
One struggling western Montana lumber mill incurred considerable expense to benefit employees during an economically challenging period for the timber industry. Champion International Corp. has spent approximately $1 million to build a fitness-wellness-rehabilitation center and a companion child-care center at its Libby plant. According to Don Larson, plant manager, the fitness center will help healthy workers stay fit and get the sick and injured back on the job sooner. In addition, programs in nutrition, weight loss, and quitting smoking will keep people at work. Since child care is not readily available locally, the child-care center offers workers an alternative to leaving their children with relatives. The fitness center will be free to employees and their families. The company believes the two centers will pay for themselves within two years through improved employee morale as evidenced by increased attendance and productivity.29

Workstyle Management

There is increasing interest in a workplace philosophy, called "workstyle," which Stone and Burlingham describe as being founded in the belief that people are the enterprise. This philosophy holds the potential for maintaining morale during periods of retrenchment. A practitioner of workstyle management, Irwin H. Mintz of JBM Electronics Co., believes

that

...if this is a good place to work, a place where someone can do really good work and have fun doing it, feel full of excitement instead of full of fear, then we're going to get employees who will stay here longer and be more productive -- we're going to be able to put out a superior product on a consistent basis, in a more efficient manner....

The traditional premises that employees need and want strong direction and that it is management's responsibility to provide that direction through the development of rules, regulations, policies, rewards, and penalties, are rejected by workstylists.

In fact, workstyle is founded on the opposite assumption.

Good employees...will always act in the best interests of the company, provided they have the information, the tools, and the opportunity to do so. Moreover, they will act more creatively, more productively, and more efficiently than any manager, or any set of rules, could make them. That will only happen, however, if there is an atmosphere of mutual trust -- trust that is based on communication, respect, and a strong team spirit.

Although this type of management style does result in a minimal sacrifice of short-term efficiency due to the amount of time and money spent to make work more enjoyable for employees, long-term productivity becomes the trade-off. According to Mintz, "the costs are minimal....if I didn't

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31 Ibid.
run the company this way, the cost would be much higher — in turnover, in dissatisfaction, in inefficiency.32

Workstyle organizations operate with guidelines rather than rules. These guidelines reflect the loyalty and trust given to employees. Employees are given the room to fail. Dick Gromer, Gromer Supermarket Inc., supports an organizational climate that encourages employees to develop and implement ideas — any idea. Once tried, if ideas do not work, then workers are asked to try something else.33

Workstylists believe in eliminating the animosity that traditionally exists between management and employees and replacing it with a sense of employee ownership in the organization. Workstylists have taken this philosophy beyond simply providing for equity participation. They try to develop

...a collective identity, a sense that the employees' interests and the company's interest are one and the same....By making employees owners in the psychological, as well as the financial, sense, workstylists try to create an environment in which the employees take pride in their work, enjoy it, are challenged by it, have fun, get excited, care — in short, an environment in which employees feel and act like owners themselves.34

Practitioners of workstyle insist that this management style lends itself to rallying employees during rough

32Ibid. 49.
34Stone and Burlingham, "Workstyle," p.50.
economic times. Michael Sachar of Double Rainbow Gourmet Ice Creams describes employee reaction to a cash flow crisis experienced by the company:

Our employees got on the phones and spent extra hours calling up people with delinquent accounts, pulling in money, because they knew the company needed it. Nobody had to force them. They did it because they wanted to.35

The intrinsic value placed upon employees is reciprocated by employees who are willing to dig in their heels and do whatever is necessary to get the organization back on firm ground.

Staff Assessment

One public sector administrator, understanding that the loss of friends and the threat of more cuts to come would have a demoralizing effect on his workforce, designed a developmental assessment center in his agency.36 He recognized that the reduction-in-force (RIF) in his agency had resulted in a remaining staff of very senior employees who were approaching retirement and junior staff who had attained their positions due to their technical knowledge. He sought a program that would make the younger people aware of potential opportunities and would develop competent

35Ibid., p. 54.

replacements for the more experienced staff members. He felt that it would stimulate his employees, increase their morale and prepare those who remained for future operations.

The commitment and support of all employees were imperative to the success of the program. To guarantee that all staff members had input into and benefited from the program, a steering committee of representatives from all levels and units within the agency was established. (Even workers who might have to leave before the program was completed were included.)

After sessions involving brainstorming, the development of goals and objectives, and status briefings, a planning document was developed detailing the implementation and design of the program. The final product was a multi-tier Executive Development Program (EDP). It provided for assessment and development of managerial competencies identified as essential by the managers themselves. These are described in Table III. As a result of the participatory process, broad enthusiasm and commitment to the program resulted.
Table III
Multi-Tier Development Program

**Motivating Others**
To what extent can this individual persuade others to do something or to adopt a point of view in order to produce desired results without creating hostility?

**Performance Stability**
To what extent can this individual maintain consistent performance levels in the face of stress and/or uncertainty?

**Organizing and Planning**
To what extent can this individual think through work-related issues, deploy resources effectively, anticipate contingencies, and track progress to reach desired long- and short-range goals?

**Innovating**
To what extent can this individual generate new or creative ideas or solutions; use available resources in new or more efficient ways?

**Flexibility**
To what extent can this individual adapt or modify his or her behavior or ideas in response to various conditions and various people to reach a desired goal?

**Decision Making**
To what extent can this individual perform from analysis needed and select a supportable solution or course of action for a problem or a situation?

**Written Communication**
To what extent can this individual effectively and persuasively convey information in writing?

**Oral Communication**
To what extent can this individual effectively obtain and convey information orally?
Senior managers from outside the agency were recruited and trained to assess employee job performance. The assessment of employees was followed by sessions where personal skill development programs were planned.

The agency's senior staff members were trained to become mentors to those workers who had participated in the assessment. The mentors assisted the participants in carrying out their personal skill development programs. Mentors were assigned by mutual agreement between the parties.

Initial reaction by the employees to the developmental assessment center was enthusiastic and they deemed the program an immediately successful. However, in order to ensure the long range success, Cochran, Hinckle and Dusenberry suggest adherence to the following steps:

* continue to train the mentors;
* conduct a follow-up survey;
* implement training on innovation and motivation;
* hold regular meetings to assess status; and,
* conduct a formal evaluation of the program.

Defining strategies to foster employee morale during periods of economic downturn is a relatively recent development. Obviously, these techniques and procedures require the expenditure of money during a period of decreased profits or funding. Thus, not all organizational management will be in favor of utilizing one or more of the
above ideas until their value is more thoroughly tested in retrenchment environments.

Therefore, this paper can only point out that potential techniques and procedures are available for use and trial. Future papers will be able to evaluate more thoroughly their success and failure based on actual historical data. It is important that organizations attack the problems of retrenchment with open minds and not hide them under the institutional carpet. Chapter Four will offer final observations and recommendations for nourishing human resources during sustained periods of retrenchment.
CHAPTER FOUR

Conclusion

Public sector agencies find it more difficult to be as creative in their approaches to retrenchment as private sector organizations. Certain techniques used in the private sector to mitigate the harmful effects of retrenchment may not be possible or applicable in the public sector. This is mainly due to the proliferation of bureaucratic layers, highly structured classification systems, rigid pay matrices, policies, and procedures characteristic of public sector organizations. Innovative administrators, however, can minimize the impact of such actions on the survivors of retrenchment.

Techniques introduced in this paper which can be adapted to public sector organizations in order to ease the pain of retrenchment include:

**STRATEGIC PLANNING:** the need for organizationwide planning is universal to all organizations experiencing retrenchment. Once the decision to retrench has been made, management must begin to chart a course of action. This course should address every step of the retrenchment process -- from identifying the need to retrench, to the timing of the
initial announcement, and finally, how the organization will go on once the retrenchment has been executed.

**COMMUNICATION:** it is critical that management establish open channels of communication throughout the organization during retrenchment. Employees react more positively to the need for change when they understand the reasons for it and feel a part of it.

**JOB ENRICHMENT:** given the lack of funds, reduced work force, and increased workloads, job enrichment opportunities will be difficult to offer. However, options such as working part-time, job sharing, or encouraging sabbaticals may prove mutually beneficial to employees and management alike.

**MANAGEMENT PHILOSOPHY:** de-emphasizing written policies and procedures and emphasizing the ability of employees to make decisions in the best interest of the organization is critical to the workstYlist practitioner. Although public sector managers cannot offer financial incentives to encourage employee performance, the recognition of the contributions made by employees to the organization can often be reason enough to foster employee loyalty and productivity.

**STAFF ASSESSMENT:** employees who survive retrenchment will benefit from an assessment of their individual strengths and weaknesses. Management's willingness to develop programs
intended to build on strengths and improve weaknesses will yield ongoing benefits to the organization.

Public sector entities are being forced to redesign their organizations by reducing services and staff. It is essential that management consider the impact on employees during times of budgetary constraints. By developing innovative approaches to retrenchment, management will create positive organizational cultures which foster a sense of employee worth and, ultimately, satisfaction.
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