An investigation into the impact of downsizing on surviving employees at a metal processing organisation

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Abstract: A metal processing organisation which has been in existence for over 50 years closed part of the production line and downsized its employees. The core objective of this research is to determine the impact of downsizing on employees who survived during this period. A quantitative methodology was adopted and a total of 150 questionnaires were distributed to the population sample and 143 responses were obtained, representing a 95% response rate. A majority of the respondents believe that there is not enough reward and recognition given in the organisation for good work done. It was concluded from the study that downsizing can affect the individual autonomy for surviving employees and that it can adversely affect organisational projects reporting structures for surviving employees. Downsizing can result in poor relations between management and employees, with the employees being of the perception that management has less concern about their happiness. It is recommended that management develop a delegation plan and consider conducting a survey to measure satisfaction levels of its employees. Human resources department should institute measures to instil confidence so that its employees will ultimately benefit from the new environment.

Keywords: downsizing, employee relationships, reporting structures

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I. Introduction

Saeed, Arshad, Fareed, Shahzad and Nawazlodhi (2013:608) stated that downsizing is a practice that organisations undertake to reduce the number of employees in order to become cost efficient and improve the operations of the organisation. Sayed (2013:14) indicated that the increase in global competitiveness, together with advances in technology and ongoing changes in the environment, requires organisations to continuously adapt and be willing to change their structure, strategies, methods, and practices, to remain competitive. According to Ngirande, Ruvimbo and Mutodi (2014:248), downsizing has proven to be a relevant strategy to organisations in today’s business environment where most organisations are forced to restructure due to economic meltdowns. The purpose of this study is to investigate the impact of downsizing on surviving employees at a metal processing plant. The company is a large processing operation on the KwaZulu-Natal North Coast, which has been in existence for over 50 years. It has been a major employer and contributor to economic development. In recent years, its outdated, inefficient process resulted in the company closing one production line and severely downsizing. The company has undergone several downsizing programs in recent years and this research considers the impacts of downsizing to survivors. It is the survivors who will be a major part in ensuring the business is running at its full capacity. Therefore their situation in the recent organisational change will be a key factor in the decision of making changes. According to Bujang and Sani (2010:2), it is without doubt that the tendency of organisations to implement organisational change or downsize has a major impact on everyone, to the government, society, organisations, terminated employees, and even the remaining employees or survivors.

1.2 Problem Statement

Chipunza and Berry (2010:608-613) posited that in most South African organisations, the experience of being a survivor of a downsizing process is little understood and not enough attention is given to address the impact of downsizing upon those who survive job cuts and continue to work in downsized organisations. Downsizing in the South African context has a negative effect on employees which often leads to strikes, low morale among employees, frustration, psychological problems and health problems such as heart attacks and work related stress to survivors. Ngirande, Ruvimbo and Mutodi (2014:249) indicated that many studies have been conducted to explore the effects of downsizing on people leaving the organisation while very little information is known about how it affects those who remain behind.
1.3 Research Questions

- What is the effect of downsizing on individual autonomy for surviving employees?
- What is the effect of downsizing on organisational structure for surviving employees?
- What is the effect of downsizing on rewards for surviving employees?
- What is the effect of downsizing on surviving employees in terms of leadership support, identity, and warmth?
- What recommendations can be made to the company to minimise the impact of downsizing on employees who are retained?

1.4 Significance of the Study

This study is significant in the sense that it will help human resource practitioners better understand how a downsizing program impacts on all staff, specifically those that are retained by the firm. This research proposes interventions that should assist the company to improve on how they interact with staff when announcing and conducting such a process. More importantly, this research demonstrates to the company that the survivors require interventions and counselling after the process and suggests how the firm should support and deal with staff that survive such a traumatic process.

II. Research Methodology

The research design is a framework for the overall approach that one selects to coherently integrate the components of the research in a rational manner so as to effectively address the research problem (Wang, 2015). The research design explains the route that should be followed to get answers from study in questions and this is based upon the paradigms (qualitative or quantitative), (Lee and Lings 2008:182). The research design approach employed in this study to collect opinions on the impact of downsizing on survived employees was descriptive research to enable the researcher to gain more information on the topic.

2.1 Positivist research or quantitative research methodology

Terre Blanche Durrheim and Painter (2009:47) posited that quantitative research or methods are as follows;

- Gathering plentiful of data via third foundation except involving the researcher straight.
- Also by method of questionnaires, via posts, email or transport representatives to catch responses to the pre-define requests.
- And resulting executing pragmatic analysis of data by applying various statistical tools to draw a conclusion.

Quantitative research can be taken as a research approach that underlines measuring, gathering and examination of data that involves a reasonable approach. It embraces the use of mathematical figures or statistical variables such as measures of central tendency, null hypothesis, and measures of dispersion or other forms of statistical inferences for making meaningful conclusions about the matter under investigation (Bryman & Bell, 2007:28). The choice of approach employed on this study to collect opinions on the impact of downsizing on survived employees was quantitative research. Quantitative research is useful for gathering plentiful data through questionnaires, via posts, email or other communication channels. The research strategy that was chosen is positivist which as descriptive quantitative approach was used to collect the perceptions about impact of downsizing on survived employees.

2.2 Target population

According to Babie, Mouton, Voster and Prozesky (2007:93), the target population is a theoretically quantified grouping of study features. According to Babie (2013:145), the population is the foundation where sample study is drawn from.

2.3 Sampling strategy

According to Kothari (2009:152) defined sampling strategy as a method of getting details about the whole population by studying a single part. Welman Kruger and Mitchell (2005:70) posited that a bigger sample size decreases the margin for error by simplifying the population. Leedy and Ormrod (2005:214) again believes that the larger the sample results the better since smaller samples would result in bias. Cooper and Schindler (2008:127) mention two types of sampling methods that include non-probability sampling and probability sampling. About 150 participants were invited in this study and 143 were able to respond in time.

2.4 Pilot study

The main purpose of pilot study was to determine the flawlessness of the research design. According to Saunders Lewis and Thornhill (2009:393), before utilising a questionnaire, a pilot study should be tested first to
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ensure that questionnaire was polished and avoid problems with participants in terms of answering. Questionnaires were distributed with a covering letter to the pilot testing group as well two professionals within the organisation who are academics. Any comments from these people mentioned above was taken into considerations as corrections of the questionnaire design.

2.5 Data analysis
According to Coldwell and Herbst (2004:91), the aim of data examination was to yield conclusions from the original data accumulated in the system of questionnaire or interviews collected through the study. Both inferential and descriptive statistics were used in the study to ensure conclusions drawn from the population is easily interpreted. The data was analysed using the tool called Statistical Package Social Science that produces good results for inferential as well as descriptive analysis.

2.6 Validity and reliability
Smith (1991:18) posited that validity is a tool used to measure the extent to which the research instrument would measure what it was intended to calculate. This study used external validity because the researcher was given the right to execute the study as well as participants were informed of the aim of the research. Participants were informed that their names would not be disclosed. Singh and Naidoo (2010:30) define reliability as stability with which a measuring tool yields a certain outcome when the entity being measured does not alter. Reliability of the study was determined by Cronbach alpha which determine the consistency of questions based on the 5 points Likert scale questions that were used in the study. For good consistency of reliability Cronbach alpha must be 0.70 or greater.

2.7 Limitation of the study
This study was only limited to the operators at the plant and data was gathered within 7 days. Only external validity was applied to this study.

2.8 Elimination of bias
The researcher was objective throughout the study and eliminated bias through identifying people by race, using gender neutral words and language which where stereotypes were avoided. A simple random sampling technique was used to simplify the analysis of results and the questions were constructed without leading the respondents.

2.9 Ethical considerations
These are the ethical considerations followed by the researcher:
- Confidentiality and anonymity: The identity of respondents was kept confidential.
- Permission: The permission was granted by management to do the study inside the organisation and artisans and operators were provided with permission to do the survey.
- Participant’s approval. The participants were told of the reasons why the study why was being done as well as its purpose.
- No harm to respondents or participants: The investigator confirmed there was no harm to participants concerning the research.

III. Results
- Most of the study participants were males (76.92%) with females making up only 23.08%.
- The majority of the study participants were in the age groups 25 to 35 years (42.66%), 36 to 45 years (33.57%) and 46 to 55 years (18.18%).
- Most of the respondents to the study questionnaire had educational qualifications up to matric level only (56.64%) while those with diplomas constituted 37.76%.
- Very few respondents had qualifications above diploma with 3.50% having BTech degrees, 1.40% having Bachelor’s degrees and only 0.70% have honours or masters degrees. In short, the majority of the respondents did not have very high levels of education.
- There are varying levels of experience amongst those who participated in the study with the dominant group being those with 6 to 10 years’ experience (35.66%). There other categories of levels of experience were also fairly represented in the study with those in the 16 to 20 years of experience being the lowest represented (6.29%).
- After downsizing, the philosophy that people should solve their problems by themselves is not entirely embraced by members of the organisation as only 32.2% agreed or strongly agreed. About 44.1% or the research participants believe that the organisation has a problem of individuals not taking responsibility, compared to prior to downsizing.
• As far as rewards in the form of promotion only 27.3% of the respondents believe that downsizing resulted in a promotion system that helps the best employee to rise to the top. This indicates some high level of frustration among the workers as far as promotion is concerned. Only 25.9% of the respondents believe that after downsizing, people are now rewarded in proportion to the excellence of their job performance in this organisation. The majority (58.7%) believe that there is not enough of both reward and recognition given in the organisation for doing good work.

• There is a little belief that management, comparing with scenario prior to downsizing, has a philosophy of getting ahead fastest by playing it slow, safe and sure thus avoiding unnecessary risk (only 45.5% agree or strongly agree and 32.2% are neutral).

• There seems to be divided opinion on the part of risk taking by the organisation as only 46.2% believe that comparing with prior to downsizing, their business has been built up by taking calculated risks at the right time. This cautiousness towards risk is also echoed by the fact that 45.5% believe that decision making in the organisation is too cautious for maximum effectiveness. Only 44.1% believe that comparing with prior to downsizing, their management is willing to take a chance on a good idea. Only 54.5% believe that comparing with environment prior to downsizing, a friendly atmosphere prevails among the people in the organisation. This is worrisome as there almost half of the workforce who participated in the study are sceptical of the friendliness of their co-workers.

• Only 40.6% of the research participants believe that comparing with the environment prior to downsizing, their organisation is characterised by a relaxed, easy-going working climate. This is indicative of some tension in the organisation’s working environment. There is a significant proportion of workers who believe that it is very hard to get to know people in the organisation (30.1%). Comparing with environment prior to downsizing, sentiments about warmth in the organisation are generally divided. Comparing with the environment prior to downsizing, it would appear that there is not enough effort by management to talk to workers about their career aspirations within the organisation (only 30.1% agree or strongly agree that there is such an effort).

• Although it can be said that people in the organisation trust each other (only 33.6% indicated in the contrary), it is still worrisome as there are few that do not trust their co-workers, comparing with environment prior to downsizing. Only 45.5% indicated that when they are on a difficult assignment they can usually count on getting assistance from their boss and co-workers. Comparing with situation prior to downsizing, it is generally agreed that the organisation sets very high standards for performance (69.2% agree or strongly agree). However, comparing with the scenario prior to downsizing, workers are still suspicious of management’s beliefs towards people’s happiness as necessary for productivity to take care of itself (only 47.6% agree or strongly agree).

• As far as people in the organisation taking pride in their performance is concerned there is general agreement that people do take pride in their performance, comparing the current scenario to one prior to downsizing (only 36.4% indicated in the contrary). 47.6% of the respondents believe that the best way to make a good impression in the organisation is to steer clear of open arguments/disagreements hence avoiding conflict while 32.2% are neutral on the same issue.

• It can be said that not everyone is free to speak their minds as only 42.7% believe that downsizing has changed the company climate in such a way that they are encouraged to speak their minds, even if it means disagreeing with their superiors. There are also reservations as far as management meetings are concerned with only 50.3% believing that downsizing has changed the company climate in such a way that the goal at management meetings is to arrive at a decision as smoothly and quickly as possible with 29.4% being neutral on the same issue. The statistics above indicate the existence of some degree of conflict in the organisation.

• Identity is not a major problem as most employees identify with the organisation. Most of the respondents believe that as a result of downsizing, people are proud of belonging to the organisation (59.4%) with 25.2% being neutral on this issue. An impressive 68.5% feel that as a result of downsizing, they are members of a well-functioning team.

• Most of the respondents seem not to agree with question with only 36.4% agreeing or strongly agreeing that as a result of downsizing, there isn’t very much personal loyalty to the company.

3.1 Correlations between the dimensions of the impact of downsizing

In this section we examine the relationships between the various dimensions of the impact of downsizing. It is intended to establish if there are any organisational factors that are affecting employees’ wellbeing in the organisation. With regard to risk taking, there seems to be divided opinion on the part of risk taking by the organisation since less than half the respondents believe that comparing with prior to downsizing, their organisation has become less risk averse. It is worrisome to note almost half of the workforce who participated in the study are sceptical of the friendliness of their co-workers. As far as people in the organisation...
taking pride in their performance is concerned there is general agreement that people do take pride in their performance, comparing the current scenario to one prior to downsizing. Some reservations were noted as far as management meetings are concerned with about half the respondents believing that downsizing has changed the company climate in such a way that the goal at management meetings is to arrive at a decision as smoothly and quickly as possible. Most of the respondents believe that as a result of downsizing, people are proud of belonging to the organisation and significant correlations were noted between support and reward dimensions, as well as between the identity and standards. The next chapter focuses on conclusions and recommendations for the study.

IV. Conclusions And Recommendations

The findings from the primary study are grouped under four areas which include: Effect of downsizing on individual autonomy for surviving employees; Effect of downsizing on organisational structure for surviving employees; Effect of downsizing on rewards for surviving employees; and Effect of downsizing on surviving employees in terms of leadership support, identity, and warmth.

4.1 Effect of downsizing on individual autonomy for surviving employees

The effect of downsizing on individual autonomy for surviving employees was addressed by the “Responsibility” and “Risk” dimensions. The results on the workers' opinions on responsibility revealed that a majority of the respondents believe that compared to prior to downsizing, there is less reliance on individual judgment in the organisation as almost everything is double-checked. This reflects a lack of faith in subordinates' work on the part of management. This is a pointer that after downsizing, some of the employees may have low ambition, have "disengaged" from their jobs and care less about the quality of their work. The results also revealed that management at the company was delegating some responsibility to the workers, compared to prior to downsizing, since some of the respondents believe that management resents checking everything with them; so, if one thinks they have got the right approach they can just go ahead. The management at the company is not entirely comfortable with delegating responsibility to subordinates. This revelation comes from the fact that more than half of the respondents believe that supervision in the organisation is mainly a matter of setting guidelines for subordinates, then you let them take responsibility for the job. One of the prevalent obstacles to progression in many business arises when the managers or supervisors are unwilling to delegate. After downsizing, the philosophy that people should solve their problems by themselves is not entirely embraced by members of the organisation some of the employees believe that the organisation has a problem of individuals not taking responsibility, compared to prior to downsizing. With regard to the risk dimension, the results show that there is a little belief that management, comparing with scenario prior to downsizing, has a philosophy of getting ahead fastest by playing it slow, safe and sure thus avoiding unnecessary risk. The fact that less than half of the respondents believe that comparing with prior to downsizing, their management is willing to take a chance on a good idea, is a pointer to lack of embracing imitativeness. This is generally caused by the fact that when one is assessing risk, the possible losses would tend to loom larger than potential gains, as well as exaggeration of the consequences of what might happen if something goes wrong. The risk dimension is well aligned to the responsibility dimension, and given that management was not willing to delegate some responsibility to the workers, because of the risk attached to the delegation.

4.2 Effect of downsizing on organisational structure for surviving employees

The effect of downsizing on organisational structure for surviving employees was addressed by the “Structure” and “Standards” dimensions. With regard to structure, the results show that in general, after downsizing, jobs in the organisation are clearly defined. This is commendable since a good organisational structure allows information to be smoothly communicated between levels in the organisation. After downsizing, the organisation does not have serious problems about clarity of who has the formal authority to make a decision and as Gibbons Matouschek, N. and Roberts (2013) posited, if there is no clearly defined formal authority, complaints are bound to emanate within an organisation mostly because there isn’t enough information to make decisions. However, there is a problem with regard to clarity on who is the immediate supervisor on some projects since more than half of the respondents indicated that in some of the projects they have been engaged to, there were not sure exactly who they should report to, as a result of downsizing. Further investigation revealed the matrix project structure which the company uses constitute members from different departments for some projects led to this dilemma. Concerning the “Standards” dimension, the results show that comparing with situation prior to downsizing, the organisation sets very high standards for performance. As Maiya (2011:71) posited, organisations would go the downsizing route to increase efficiency and release least productive resources. It is also commendable that the majority of the employees take much pride in their performance. However, comparing with the scenario prior to downsizing, the employees do not believe that management is showing much concern about their happiness. This is an unfortunate management perception.
since happy employees are more creative, fix problems instead of complaining about them, have more energy, are more optimistic, are more intrinsically motivated, are less likely to get ill, learn faster, make better decisions and there is a strong positive relationship between happiness at work and productivity (van den Bosch and Taris, 2014).

4.3 Effect of downsizing on rewards for surviving employees

The results on the “Rewards” dimension demonstrated that the respondents believe that downsizing has not resulted in a promotion system that helps the best employee to progress through ranks. This revelation shows that the employees are frustrated as far as promotion is concerned. This reflects prevalence if errors in the internal promotion, mostly due the gap left by downsizing as well as the challenges in retaining talented employees within the company. He challenges which are faced by the organisation also include difficulties which arise from moving an employee from one section or department to another, without first consulting the affected employees. For instance, taking an employee who was working single-handedly, to work side-by-side with another employee has been perceived not as a reward but a punishment. The high employee turnover coupled with the absence of a succession plan has resulted in a frustrating promotional system at the company. The majority of the respondents also indicated that there is not enough of both reward and recognition given in the organisation for doing good work. The evidence reveal that, unfortunately for the company, the “employee of the month programs” are not effectively addressing the rewards and recognition factors affecting the post-downsizing scenario of the employees. The program has devolved into either of the two ways, which is turning into a competition rather than of praise and acknowledgment or becoming a “whose turn is it this month?” exercise. In this sense, the program is not engaging, encouraging, motivating or properly recognising the employees since it unintentionally creates “losers” and “winners” and thus is doomed to failure.

4.4 Effect of downsizing on surviving employees in terms of leadership support, identity, and warmth

This section covers the effect of downsizing on surviving employees in terms of leadership support, identity, and warmth dimensions. With regard to the support dimension, the results of the study show that comparing with environment prior to downsizing, there is not enough effort by management to talk to workers about their career aspirations within the organisation. It is still worrisome that there are few that do not trust their co-workers, comparing with environment prior to downsizing and less than half of the respondents indicated that when they are on a difficult assignment they can usually count on getting assistance from their boss and co-workers. With regard to the identity dimension, the results demonstrated that identity is not a major problem as most employees identify with the organisation. The employees are proud of belonging to the organisation and an impressive majority of the employees feel that as a result of downsizing, they are members of a well-functioning team. However, most of the employees at the company feel that as a result of downsizing, there isn’t very much personal loyalty to the company. The results on the “Warmth” dimension show that about half of the respondents believe that comparing with environment prior to downsizing; a friendly atmosphere prevails among the people in the organisation. This is worrisome as there almost half of the workforce who participated in the study are sceptical of the friendliness of their co-workers. These results elucidate the fact that downsizing can “result in an unwillingness to trust future employers and there is a greater tendency to work for self-interests rather than the organisation’s interest” (Hall, 2012). Considering the “Conflict” dimension, almost half of the respondents believe that the best way to make a good impression in the organisation is to steer clear of open arguments/disagreements hence avoiding conflict. It can be said that not everyone is free to speak their minds as less than half the respondents believe that downsizing has changed the company climate in such a way that they are encouraged to speak their minds, even if it means disagreeing with their superiors.

4.5 Conclusions

The research revealed that downsizing can affect the individual autonomy for surviving employees since a majority of the employees believe that compared to prior to downsizing, there is less reliance on individual judgment in the organisation as almost everything is double-checked. This conclusion is compounded by the fact that the management at the company is not entirely comfortable with delegating responsibility to subordinates and has a philosophy of getting ahead fastest by playing it slow, safe and sure thus avoiding unnecessary risk. It was also concluded that downsizing can adversely affect organisational projects reporting structures for surviving since a problem was noted with regard to clarity on who is the immediate supervisor on some projects. More than half of the respondents indicated that in some of the projects they have been engaged to, there were not sure exactly who they should report to, as a result of downsizing. Other conclusions that were drawn include the fact that downsizing can result in poor relations between management and employees; with the employees being of the perception that management has less concern about their happiness. Downsizing can also influence reward and recognition programs in an organisation hence adversely affecting the surviving employees. This conclusion was as a consequence of the fact that the results of the study demonstrated that the
respondents believe that downsizing has not resulted in a promotion system that helps the best employee to progress through ranks. The reward and recognition programs at the company have devolved into either competition rather than praise or acknowledgment or becoming a “whose turn is it this month?” exercise. It can also be concluded that downsizing resulted in a poor environment with regard to succession planning for surviving employees. The conclusion draws from the evidence that with regard to the management support, comparing with environment prior to downsizing, there is not enough effort by management to talk to workers about their career aspirations within the organisation. It was also concluded that downsizing can lead to retarded employee loyalty to the organisation, since most of the employees feel that as a result of downsizing, there isn’t very much personal loyalty to the company.

4.6 Recommendations

The results of the study demonstrated that management at the company is not entirely comfortable with delegating responsibility to subordinates. Compared to prior to downsizing, there is less reliance on individual judgment in the organisation as almost everything is double-checked. It is recommended that management develop a delegation plan. The plan should embrace delegating work to the employees in such a manner that they continually develop their competences. These plans should be discussed with the employees. The management should also define objectives and standard for the tasks being delegated and the standards for the work. It is also crucial that management specifies the range of discretion and the subordinates should know what resources they would need to accomplish the tasks that are delegated to them and the level of initiative that is expected of them. Management should also clarify the performance consequences and ensure that subordinates comprehend the significance of the delegated work as the rewards associated with successful performance. It is recommended that the management invest in outside training programs, internal mentoring programs, cross-training and scores of other approaches that can make their management teams even smarter. The scenario smart teams will also reduce the fear of avoiding risk within the company thus cultivating an environment of continuous improvement and development. It was also noted that employee downsizing can adversely impact on an organisation’s ability to preserve their knowledge base, due to the gap left by the victims. Management should implement training programs for survivors, and these programs should be designed to focus on acknowledging the knowledge gap symptoms survivors are currently experiencing, and provide guiding principles on effectively managing and overcoming survivor syndrome. It was noted that as a result of downsizing there is a problem with regard to clarity on who is the immediate supervisor in some of the projects. It is a fact that the organisational structure can have a huge impact on project management. It is recommended that management develop proper reporting structures for projects that cut across functional areas and there is need for ensuring that the information is clearly communicated to all stakeholders. It was noted that there was less focus on employee happiness by management. It is recommended that management be transparent and make work-life balance a priority by creating an atmosphere whereby employees feel attached to the organisation and have a progressive work experience which is part of a rich, fulfilling life. Management should encourage communication in common areas by creating spaces where employees during breaks can simply communicate and share ideas. Employee happiness can also be enhancing by creating clear career pathways for the employees as well as recognising and reward performing employees. Cutting back on emails and meetings since they demotivate the employees, waste time and hinder productivity. The results from the study also demonstrated that there is not enough of both reward and recognition given in the organisation for doing good work. It is recommended that management thoroughly verify whether that person matches the new position before promoting that individual. The bet approach to avoid promotion errors if management does not have concrete information about the employee’s abilities is to conduct psychometric evaluations, which would provide a more comprehensive profile of the candidate’s appropriateness for a certain responsibility or role. If there is an open position, management can weigh the pros and cons of recruitment of an external candidate and internal promotion. The company should also consider conducting a survey to measure the satisfaction levels of its employees. Information obtained from employees can point employers in the right direction for modelling a positive and creative work environment, as well as developing proper career development programs. It is recommended that the company recognize appreciate all employees who demonstrate its core values in contribution to achieving the overall organisational strategic objectives. This approach will eliminate both “it’s your turn to win” and “competition” amongst the employees. Recognition is a “win-win” strategy since it makes the employee being recognised feel accomplished, while the recogniser concurrently feel great to share their admiration or approval. Given that downsizing often causes high levels of stress, poor morale and the employees who retained their jobs may feel guilt, it is recommended that Human Resources (HR) institute measures to instil confidence at the company so that its employees will ultimately benefit from the changes. HR should also retain contacts of the downsizing victims in case they may want to rehire them as employees or consultants in future.
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References