



Drake International

DOWNSIZING RESEARCH REPORT

ABOUT DRAKE INTERNATIONAL

One of the largest privately owned global HR & recruitment services organisations in the world, Drake is a leader in sustainable HR practice and talent management.

For over 50 years, Drake's business philosophy has stayed true – organisations achieve the highest level of performance when they are staffed with the right people, working with the right skills, knowledge and behaviours,

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SUMMARY OF FINDINGS

Key findings from the Employee Downsizing survey:

37% of respondents had experienced downsizing in an organisation where they worked in the year, with 70% having a downsizing experience in the last 10 years. Approximately 20 % have been made redundant at some time over the last 10 years.

Employees are critical of the effectiveness and fairness of downsizing by their employers:

- only 37% say it was managed effectively
- only 40% say the communications were effective
- only 24% of employers asked their employees for their involvement in ideas to manage the downsizing
- only 34% say that the process was managed fairly
- **as a result of the above the damaging news for employers is that 46% of employees were less likely in the future to recommend their employer to a colleague seeking a job**

In general, employers did not manage the remaining staff well:

- only 19% were offered counselling after the downsizing
- a high 40% became less motivated
- 56% of employers established and communicated a new plan to re-focus employees on future goals
- **not surprisingly a staggering 41% said their respect for their employer declined after the downsizing**

How did employers go about improving productivity?

- 54% of employers changed some processes
- 81% of employers changed roles or position descriptions
- 74% of employers changed the organisation structure
- 72% of employers expected staff to work harder (do more)
- **incredibly after all these changes, only 14% of employees said they got training after the downsizing**
- **not surprisingly productivity increased in only 21% of cases**

Did employers plan effectively?

- **In the first six months after the downsizing 45% of companies re-employed permanent or temporary staff in roles that had been eliminated as part of the downsizing**

How did employers treat the staff who were made redundant:

- only 29% were offered independent counselling
- 32% were provided with career transitioning services
- 15 % were offered the opportunity to respond to an exit survey or interview

Finally, while the management of downsizing was seen as ineffective by all staff (managers, professionals and other staff), fewer non-managerial staff:

- were informed of the reasons that downsizing was necessary
- were asked to have input or to contribute ideas to facilitate downsizing
- rated employer's communication and overall management of downsizing as being effective
- **thought the downsizing process was fair, had respect for their employers or would recommend their employer to a colleague**

Employers also made outplacement services more accessible to management staff than to non-management staff.

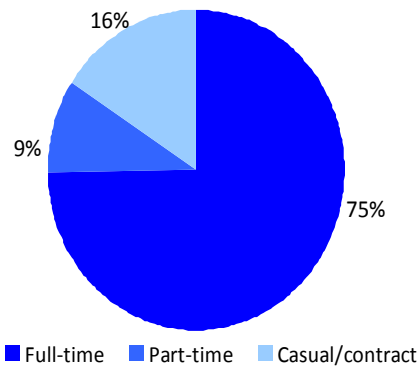
BACKGROUND

The Employee Downsizing survey was produced by Drake International to investigate the impact that downsizing and restructuring has on companies and their personnel. The online survey was completed by 6,308 respondents.

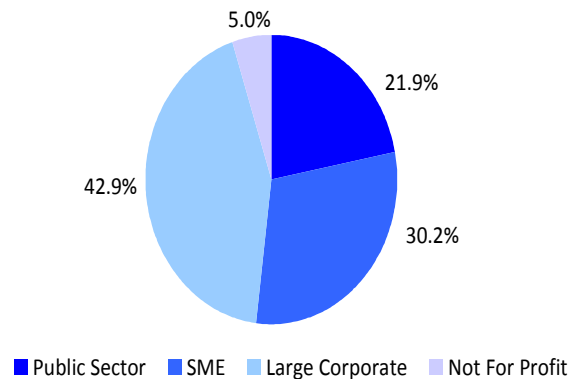
Respondents

Managers	37%
Professionals	30%
Other Employees	33%

Employment Status

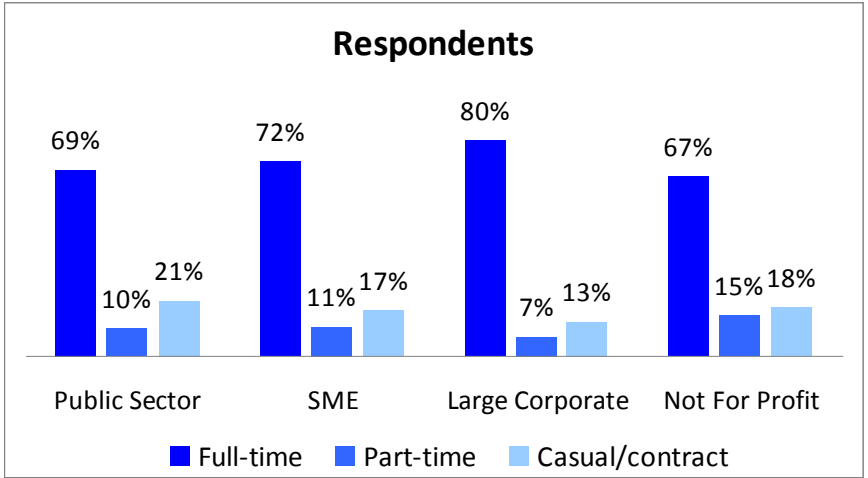
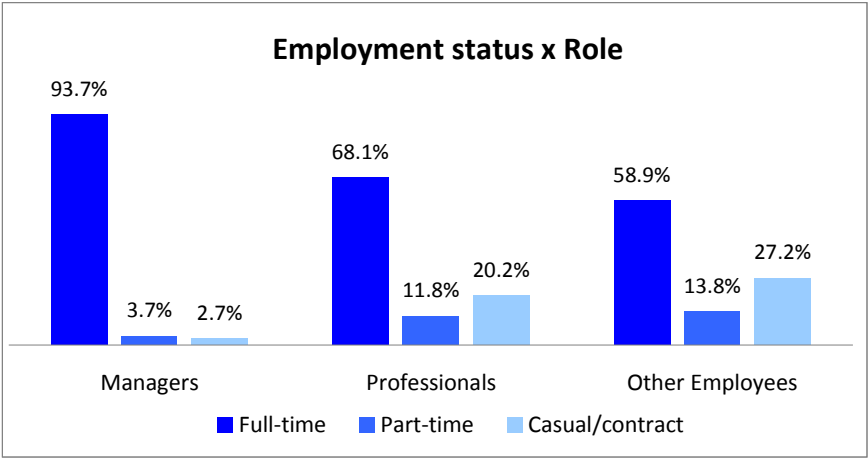


Employment Sector

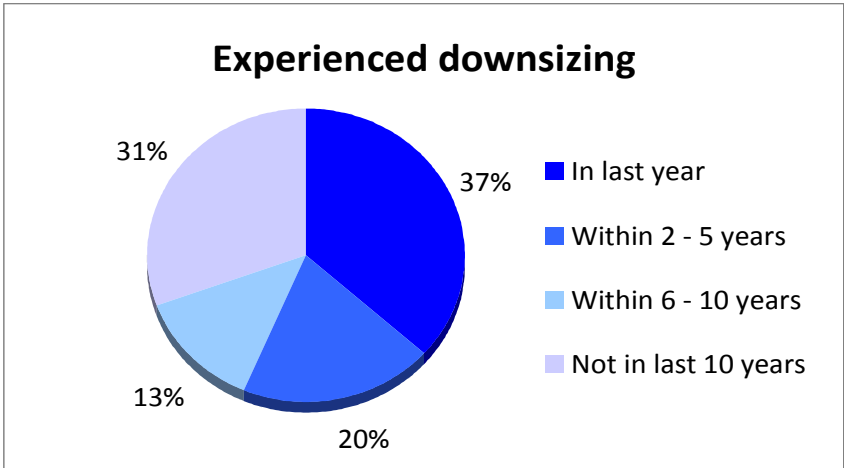


More than 75 per cent of managers who participated in this research worked in the private sector (large corporate and SME organisations). The distribution between managers, professional staff and other employees within the private sector was thus slightly skewed towards managers, but within the public sector and not-for-profit organisations was evenly distributed.

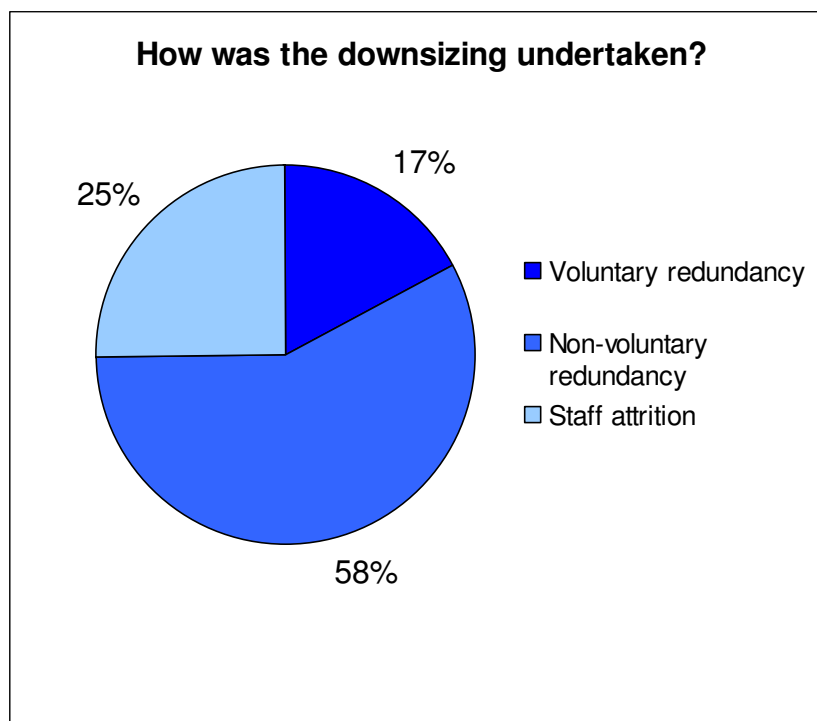
The majority of participants worked full-time – particularly within large corporate organisations (80%). Permanent part-time employees were most highly represented within the not-for-profit sector and casual or contract employees within the public and not-for-profit sectors.



Around 70 per cent of respondents had experienced restructuring and organisational downsizing that impacted either them or their colleagues directly in the last 10 years. Thirty-seven per cent had experienced organisational downsizing in the last year.

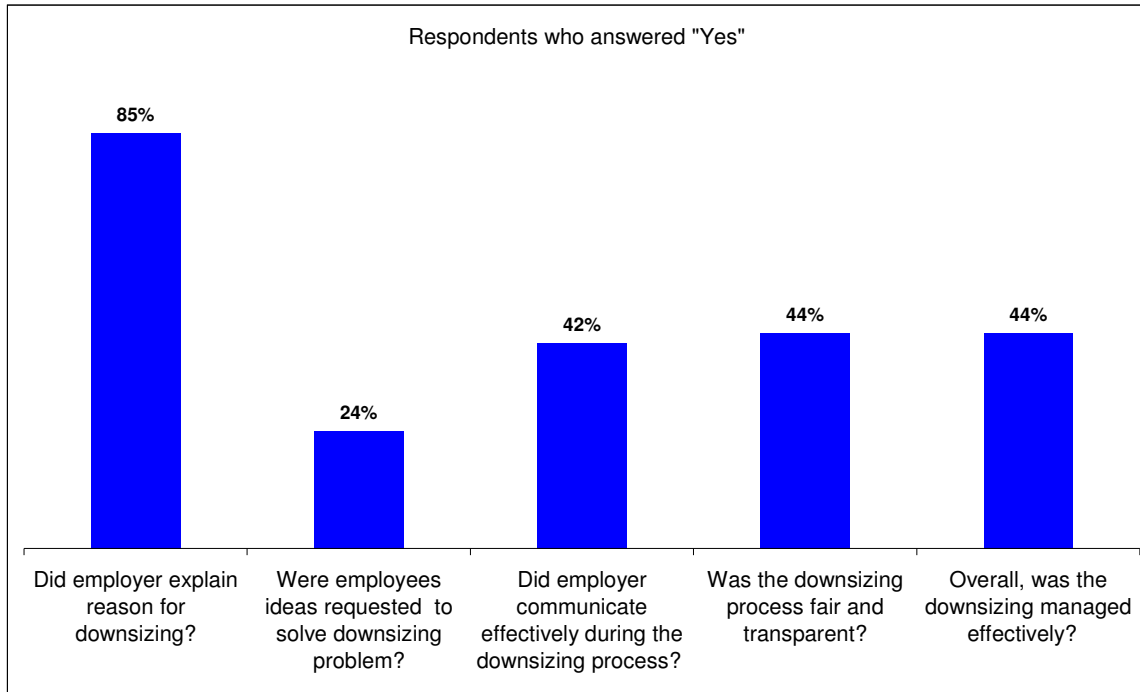


Fifty-eight per cent of respondents experienced non-voluntary redundancies in their organisations, with only 17 per cent via voluntary redundancies and 25 per cent having staff numbers reduced through natural attrition.

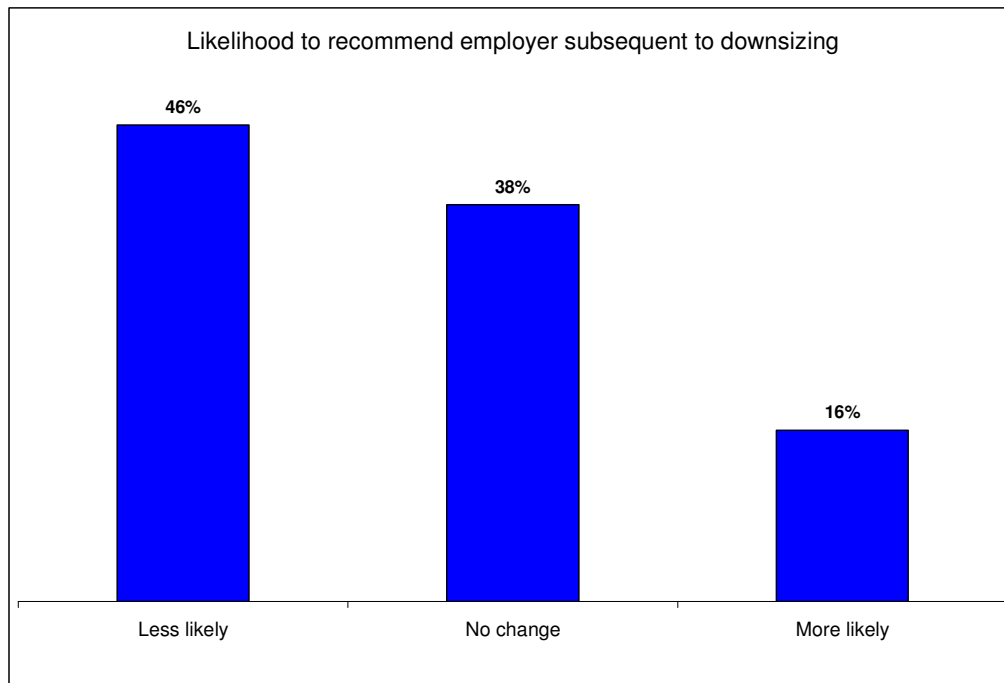


DOWNSIZING – FROM AN EMPLOYEES' PERSPECTIVE

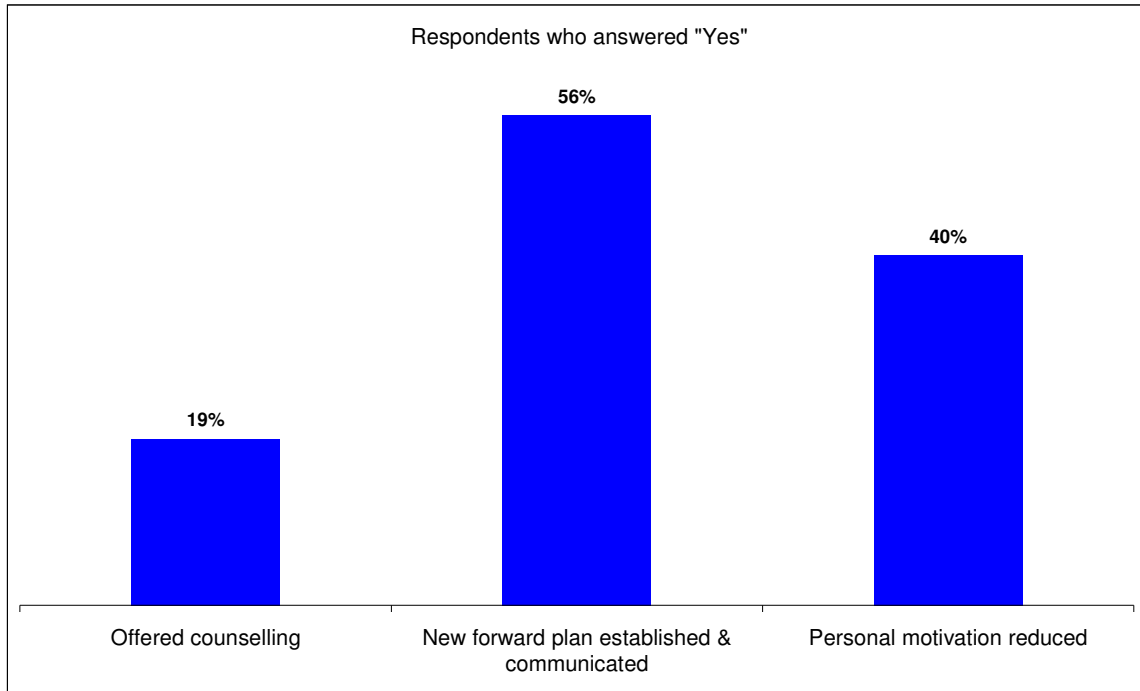
How did employees rate the management of downsizing?



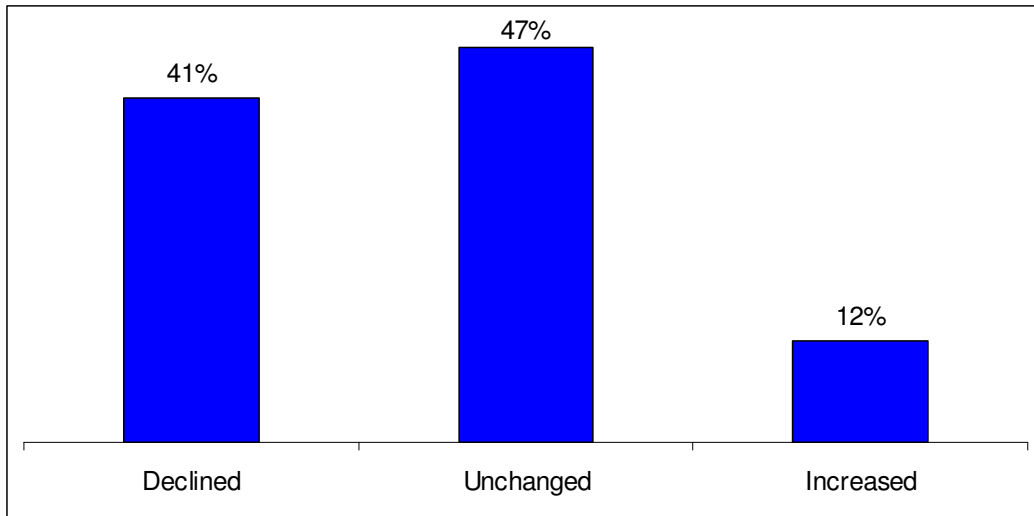
How did the management of downsizing impact employees as advocates for the employer?



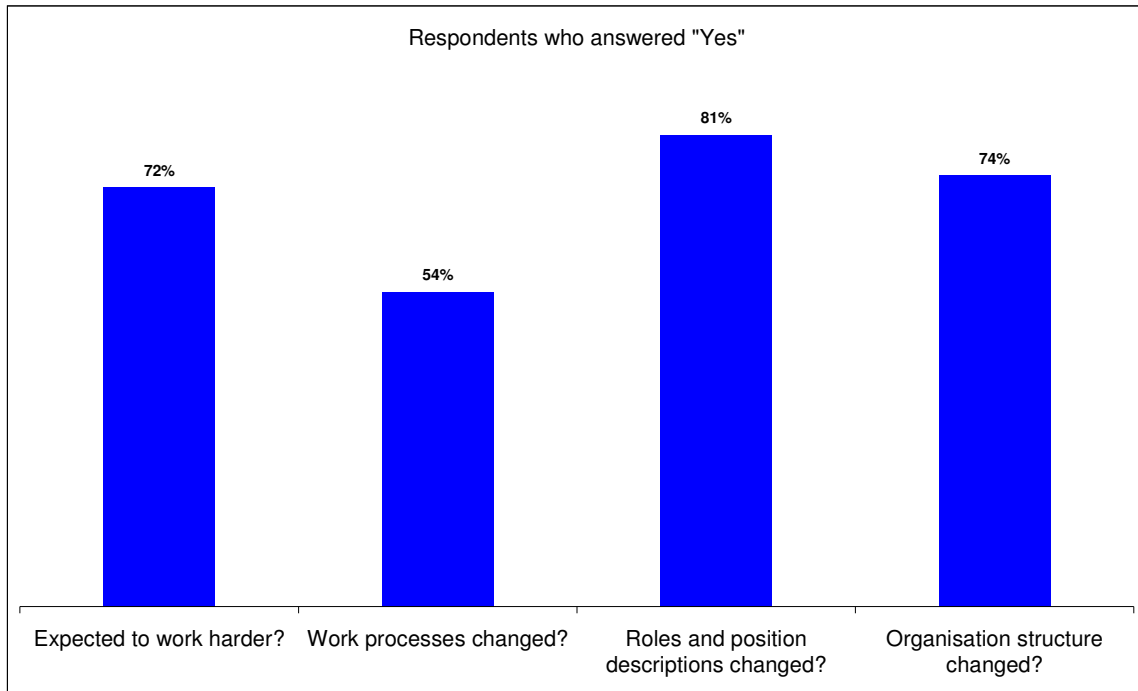
How were the staff who remained treated in the first three months?



How did the downsizing impact your respect for your employer?



What changes were made in the workplaces to improve performance – in first 3 months?



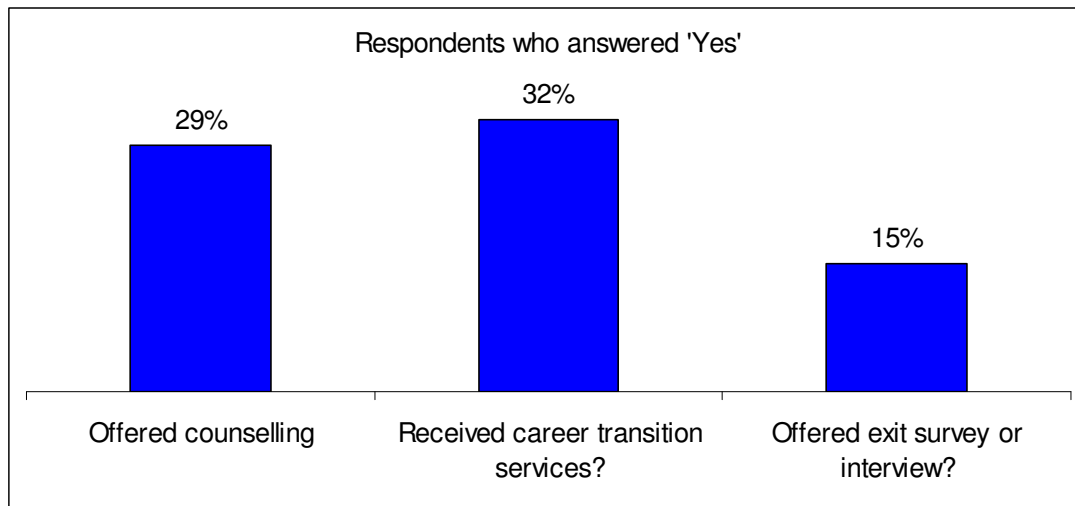
- **Significant workplace changes normally require re-training of staff, however only 14% of employees said they received training.**
- **Employers expect to increase productivity as a result of downsizing, however only 21% of employees said their productivity increased.**

Did employers plan the downsizing effectively?

A test of effective planning of downsizing is that the roles to downsize were selected correctly.

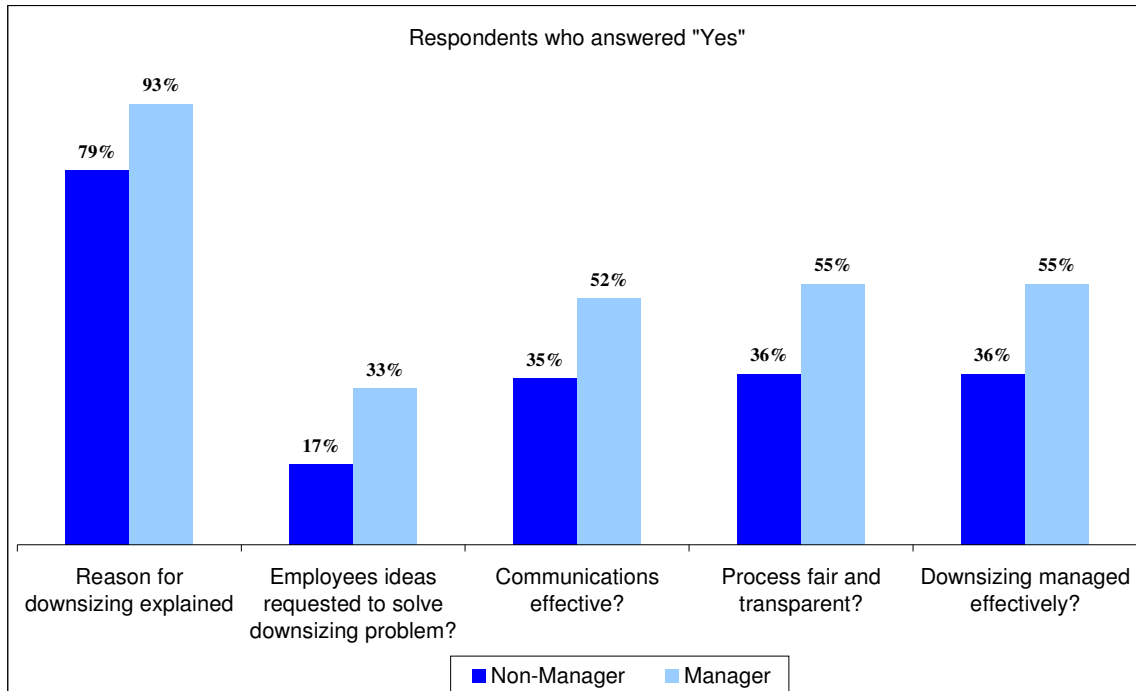
- **In the first 6 months after downsizing, 45% of employers had employed new permanent or contract / temporary staff into the same roles that had been previously made redundant.**

How were retrenched employees treated?



DOWNSIZING BY EMPLOYEE TYPE

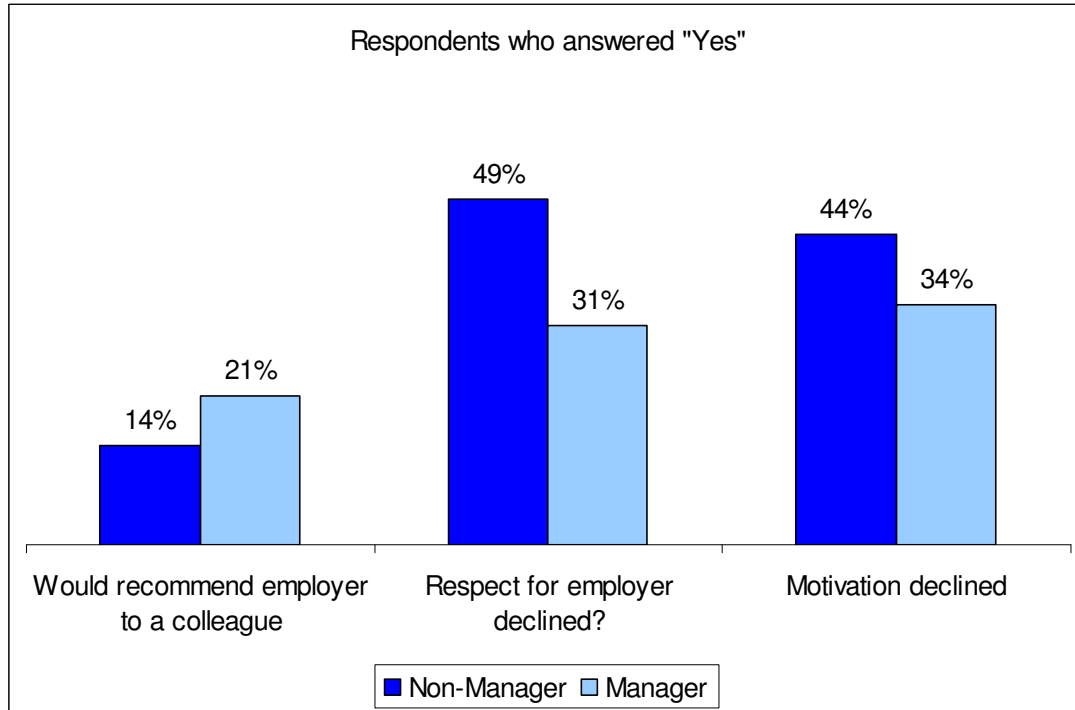
How did staff rate the downsizing process undertaken by the employer?



Employers sought more input from their management staff on how to solve the downsizing problem.

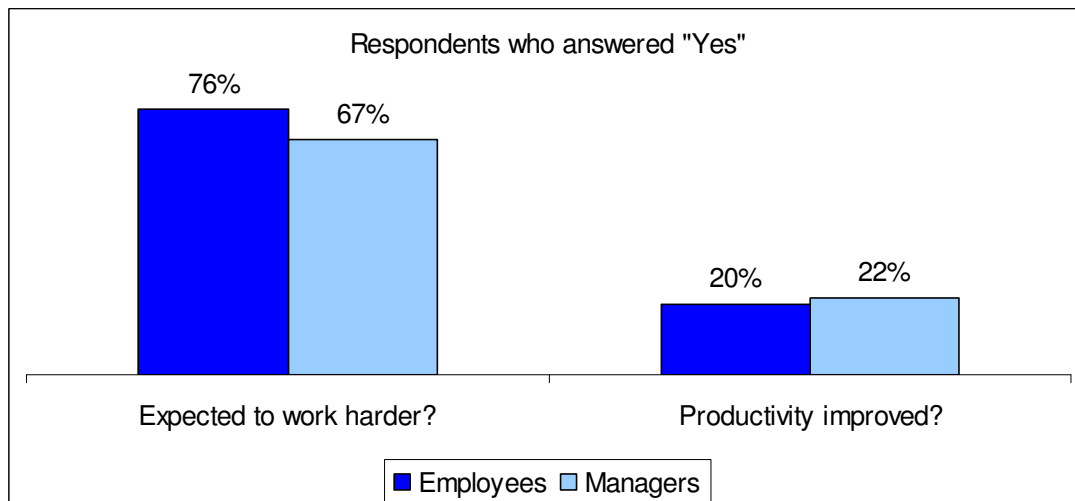
Managers were critical of how employers managed the downsizing process and the effectiveness of communications, however less so than non-managers.

What was staff perception of the employer after the Downsizing Process?



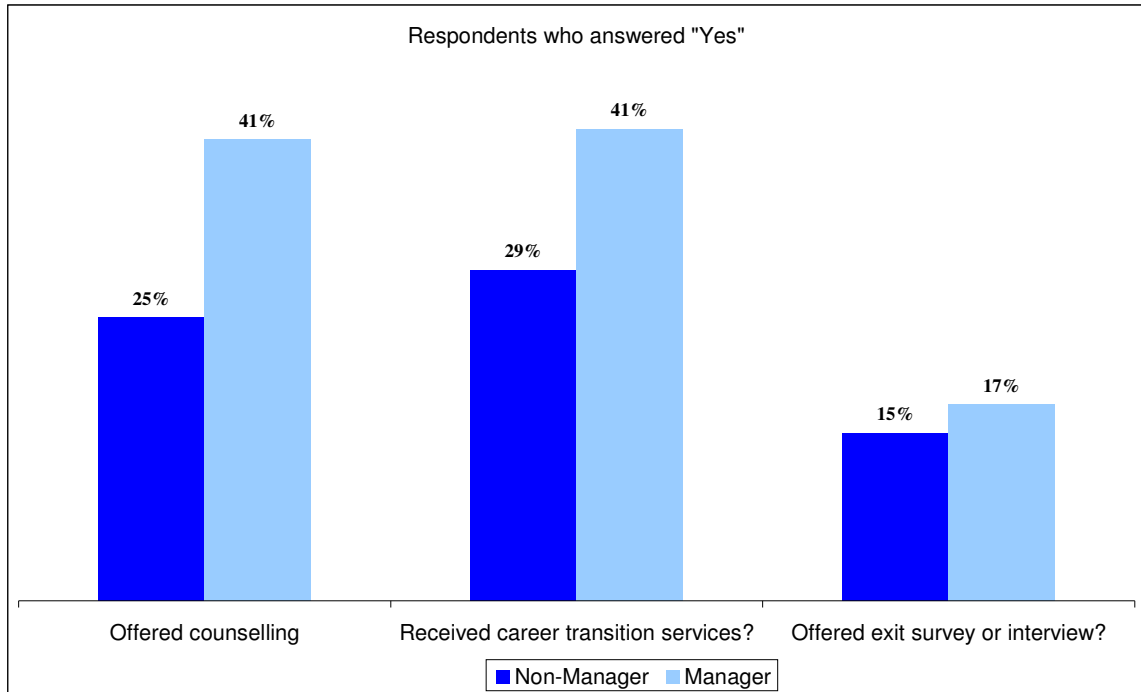
Only 21% of managers would recommend their employer after the downsizing process, but their respect for the employer and their motivation declined less than that of non-managers.

Did Productivity Change After Downsizing?



Managers agreed with non-managers that productivity did not improve after downsizing.

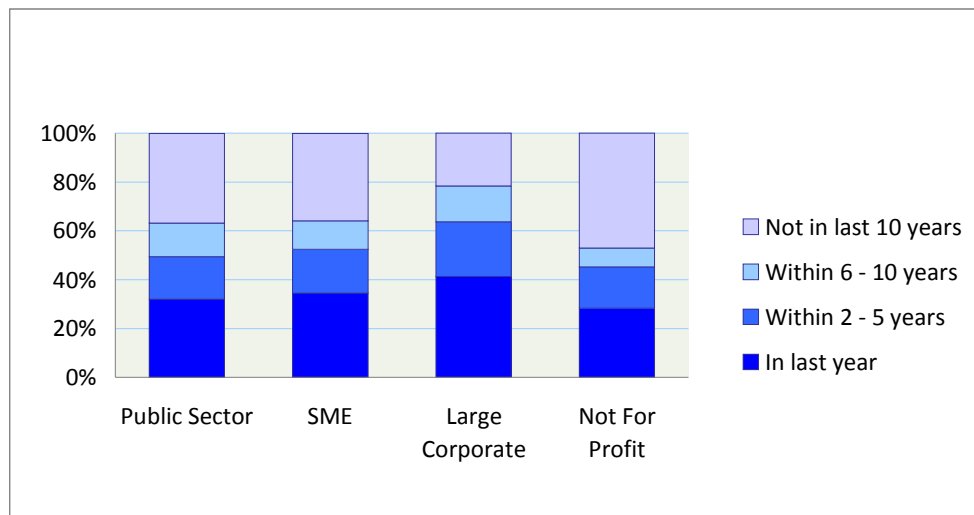
How were retrenched staff treated?



Employers did not treat all their retrenched staff equally, with a greater percentage of managers being provided outplacement services.

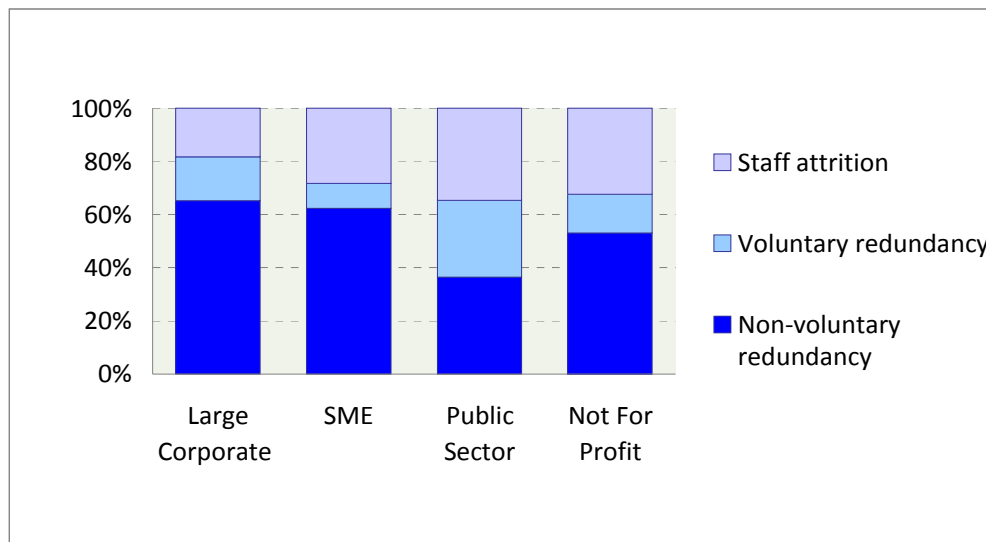
DOWNSIZING BY SECTOR

Has Downsizing been undertaken?



Large organisations within the private sector had undertaken the most restructuring and downsizing amongst their workforce. Almost 80 per cent of respondents in large corporate organisations had experienced downsizing within the last 10 years, and 41 per cent within the last year.

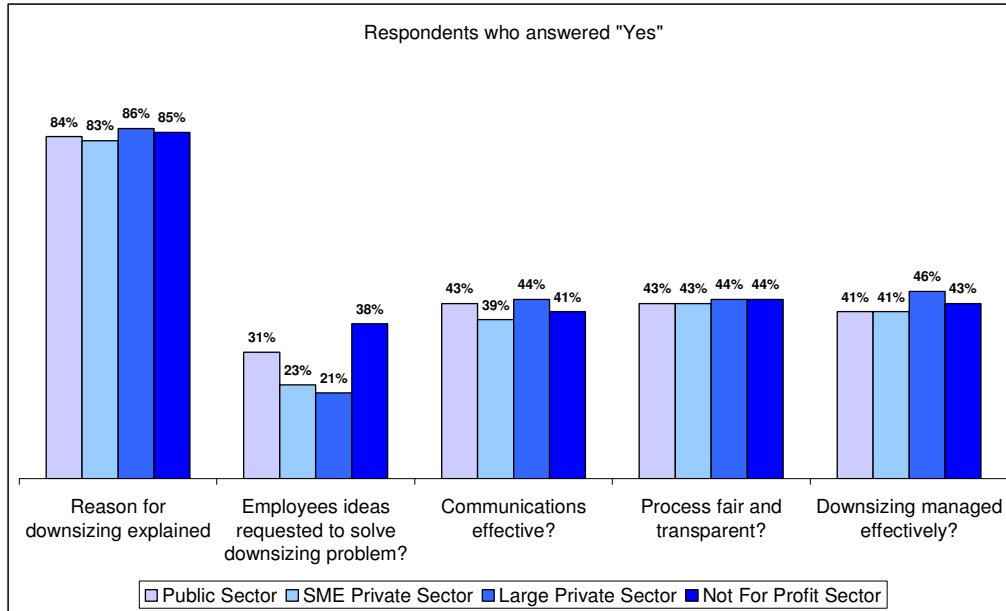
How was the downsizing undertaken?



Non-voluntary redundancies were more common in private sector organisations (64%) than the public sector (36%) or the not-for-profit sector (53%).

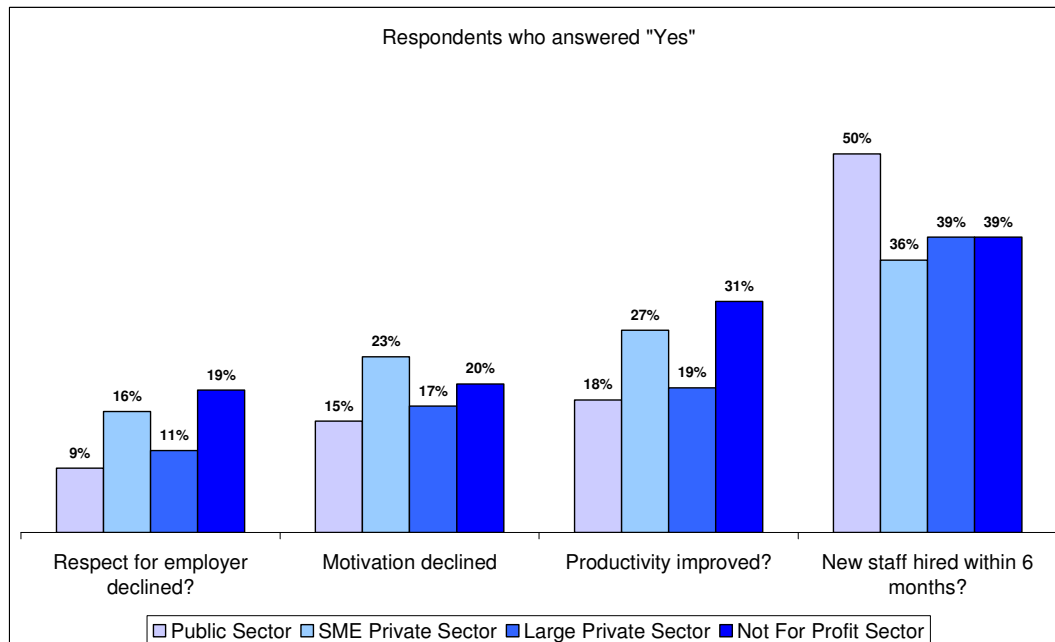
Public sector organisations offered more voluntary redundancies (29%) to staff than other sectors (9% for SMEs, 17% for large corporates, and 15% for not-for-profit organisations).

How was the Downsizing managed



The private sector (SME 23% and Large 21%) sought less involvement from their employees in how to solve the downsizing problem, however large private employers were more effective at managing the downsizing effectively.

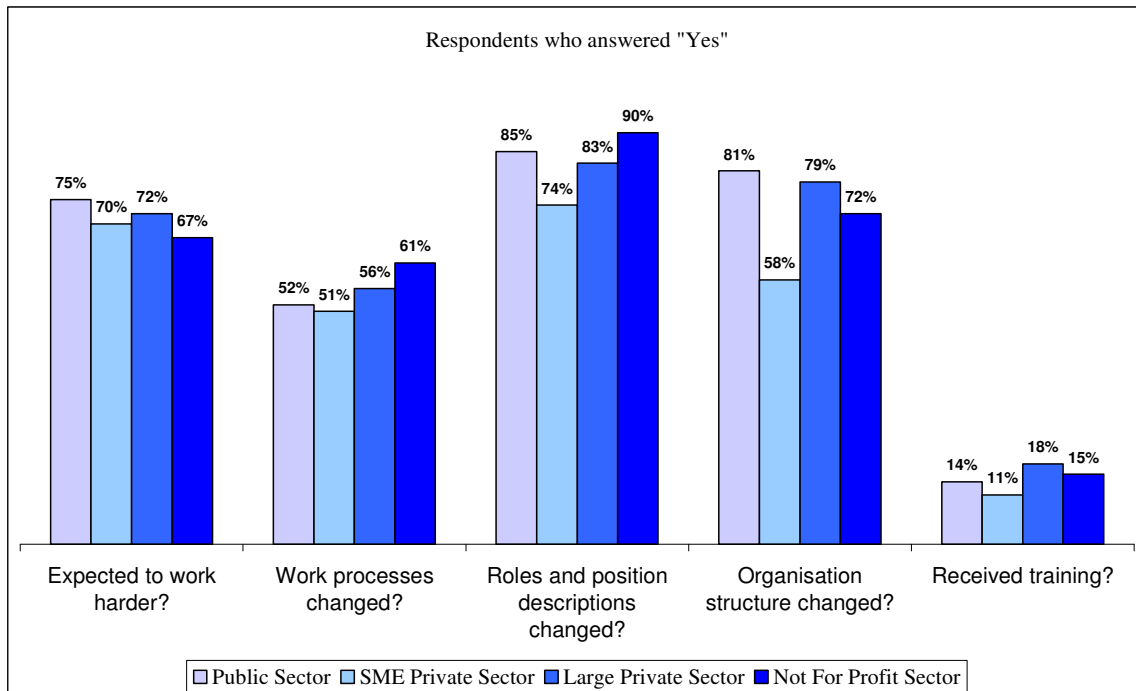
Impact of downsizing on employees



Public companies (50%) were more likely to hire new staff into the same positions they made redundant within the first six months of undertaking restructuring.

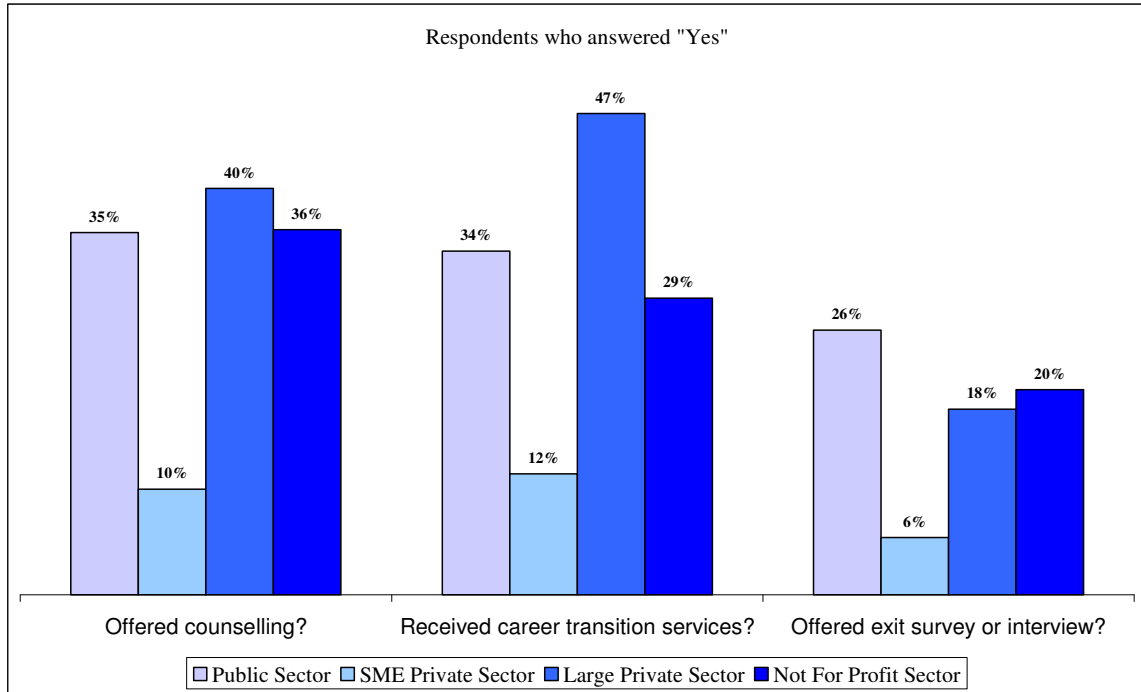
Not-For-Profit and SME company employees had less respect for their employer and less motivation, however improved their productivity more in comparison to public and large private company employees.

Methods used to improve performance



Not-For-Profit employers were more likely to change their work processes (61%) and the roles and position descriptions for their employees (90%), while less SME employers changed their organizations structure (58%) or the roles and position descriptions for their employees (74%). No sectors undertook effective re-training.

Treatment of Retrenched Employees

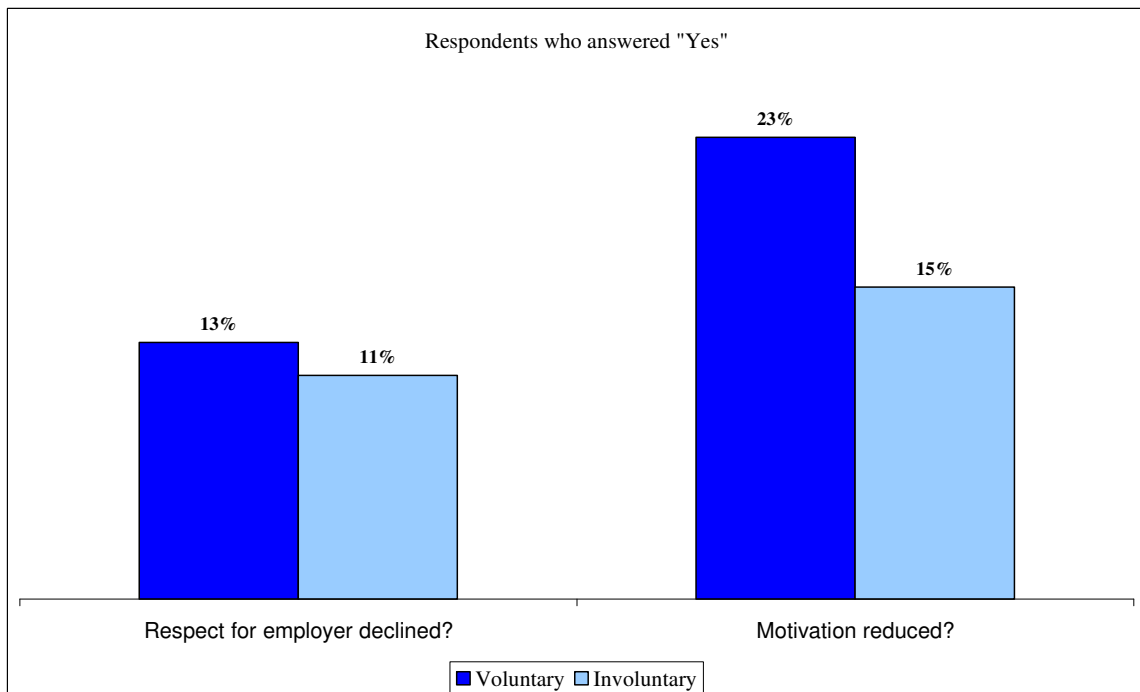
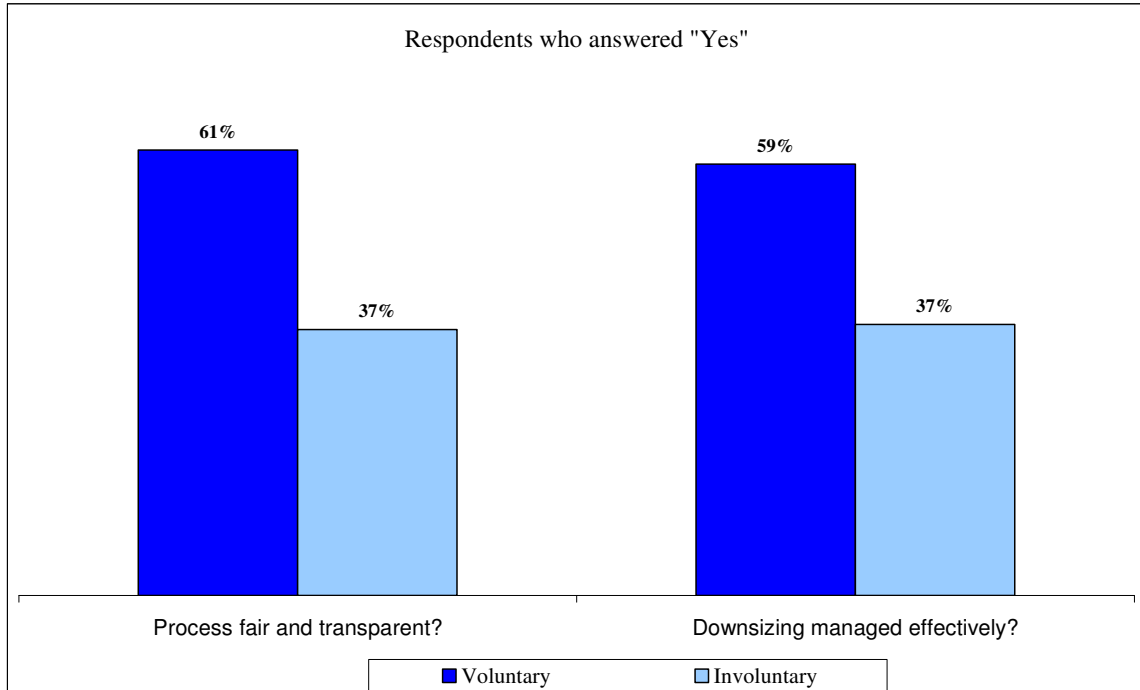


SME employers were least likely to provide outplacement services to staff that were made redundant with only 10% offering counseling, 12% providing career transition services and only 6% offering an exit survey or interview. Large employers were more likely to provide career transition services (47%) to retrenched staff.

VOLUNTARY VS INVOLUNTARY REDUNDANCIES

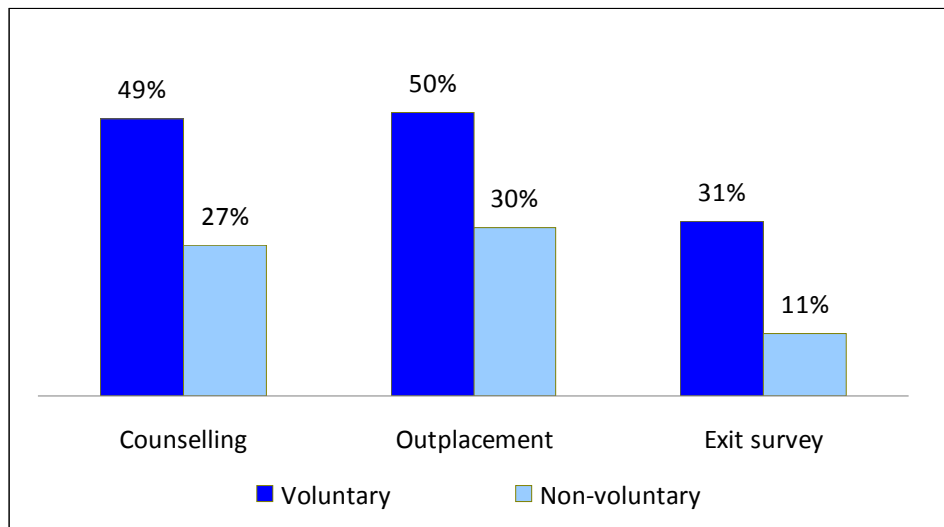
This analysis explores responses in organizations that used voluntary redundancies and those that mostly used involuntary redundancies.

How did staff rate the downsizing process?



Voluntary redundancies reduced negative impacts on remaining employees

Treatment of retrenched employees



Employers appear to treat employees who are voluntarily retrenched better.