

# Handling Layoffs: The Ethical Way

By Denis Collins

Management has been trying hard to instill a culture of team work and trust within the business community for the past five years. Then, unexpectedly, the rosy projections crumble. It is obvious many employees will have to be laid off. What should management do?

Typically, this is what they do: Secret meetings are held among a few trusted upper managers. Lies are told to peers and subordinates about the nature of the meetings. Some peers and subordinates realize they are being lied to. Rumors start about an inevitable layoff. Upper management denies the rumors. Productivity slackens, team work collapses, and additional tensions fill the office. After a few more false denials, management announces the obvious: a major layoff will soon take place.

My sister worked for one company where upper management gave employees a thirty minute notice, fearing that disgruntled employees would sabotage the computer system. Thoughts flashed through their minds such as "What should I take home? I can't believe this is happening! Is this the thanks I get after all my hard work? Oh, oh, I only have twenty minutes left to pack my belongings!" Shell-shocked adults cried.

Another company she worked for gave its employees two weeks notice. The company avoided the 60-day pre notification laws—which politicians passed to inform executives that the massive distributions of quick pink slips was inhumane, unethical and socially unacceptable by laying employees off in waves rather than all at once. Those lucky enough to remain employed felt guilty when facing their former peers, they lost trust in upper management, became competitive rather than cooperative, sacrificed their families, and suffered burn-out from doing two people's jobs at once.

Is it unethical to layoff employees? Of course not. If ten people have to be laid off to save the jobs of fifty others, then it is ethical to layoff ten people. It is even ethical to layoff fifty people to save ten jobs. But this is just the tip of the iceberg.

Ethics also asks deeper social questions such as: Were the people to be laid off chosen in a fair and just manner?

Were they allowed an opportunity to explore alternatives? Were they humanely dismissed? Were social service agencies that care for those dismissed informed of the layoffs?

So what's the alternative? Involve everyone affected by the layoff, such as the employees, government officials and local social service agencies in the decision making process. In particular, treat your employees with the respect they deserve and seek their input. Admit the obvious and inform employees that layoffs are on the horizon. Provide them with a reasonable goal to develop (1) ways for reducing costs and inefficiencies and (2) a fair method for laying off employees. Permit them the dignity to offer input about the process for their dismissals.



Can employees be trusted with being involved in decisions related to their own layoffs? I've seen it happen successfully. At one company I recently visited the employees agreed to take rotating layoffs. Another company decided to pursue a "share-the-pain" strategy where everyone from plant manager to janitor worked five days and got paid for four. One unionized firm used their gainsharing team structures to brainstorm how to combine several departments so as to minimize the number of layoffs.

Will this alternative approach guarantee a smooth layoff transition? Of course not. It will be much smoother and more ethical than the typical layoff procedure experienced by my sister and many, many employees. However, even with employee participation layoffs can be tragic experiences for some employees. At least you know you did the best you could given the unfortunate circumstances.

It is essential for managers to treat employees with respect and dignity, particularly during hard times. Companies that thrive during these economic hard times will be those that do. Otherwise, it will be one tense, ineffective and uncooperative workplace.

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