ETHICAL DOWNSIZING

Managers Must Focus on Justice and Human Dignity

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Much of a person’s identity and sense of contribution and accomplishment are related to the work that she or he does. Although most people enter the paid work force out of economic necessity, their work often becomes much more than a means to a paycheck. Losing a job is a threat to one’s sense of identity and self-worth, as well as to financial well-being or security. Loss of employment may make it more difficult for someone to contribute to the common good.

Given the importance of work, it is not surprising that most managers recognize layoffs as one of the most difficult tasks facing them. Decisions to reduce the work force probably will be necessary as the healthcare system continues to change. It is vital that leaders and managers of healthcare organizations focus on justice and human dignity in the workplace when faced with the possible need to downsize.

DETERMINATION OF THE NEED TO DOWNSIZE

Something as hurtful as layoffs should be avoided, if possible. Administrators should clearly identify the goals of work force reduction and evaluate their importance. Before making the final decision to proceed with layoffs, leaders should consider whether these goals could be achieved through other means—for example, early retirement, elimination of overtime, a hiring freeze, additional training of present employees, a salary freeze for highest-paid staff. The point is not that everything else must be attempted first, but that the decision to layoff workers requires careful rationale and justification.

Once they have made the decision to downsize, top managers must clearly communicate the reasons and the goals to those responsible for identifying the employees affected. Sometimes the goals will clearly determine which departments or categories of employees will be affected; sometimes the application of the general goals to the workplace when faced with the possible need to downsize.

SUMMARY

It is vital that leaders and managers focus on justice and human dignity in the workplace when faced with the possible need to downsize.

First, administrators should clearly identify the goals of work force reduction, evaluate their importance, and consider whether they could be achieved through other means. Once they have made the decision to downsize, top managers must clearly communicate the reasons and the goals to those responsible for identifying the employees affected.

Employees selected for layoff should be identified on the basis of the articulated goals for work force reduction, whenever possible. When this is not clear, the tough decisions can be based on a variety of factors: “across-the-board” reductions; employee abilities, qualifications, and performance; diversity goals; seniority; or multiple criteria.

It is also important to respect human dignity in the layoff process. Affected employees should be informed in advance and given an honest explanation for the layoff. Ordinarily, they should be encouraged to work until the effective date. All employees need a clear and honest explanation of the reasons for and the expected effects of the layoff. There should be a stress on the free flow of information, without an effort to control it.

How downsizing is handled says a lot about the nature of an organization and its leadership. Ethical downsizing is, first of all, a refusal to deny the complexity of the issues and evidence of the organization’s commitment to justice and human dignity.
specific areas is not immediately evident and will require careful attention to ensure that appropriate criteria are used. For example, a goal like "reducing the work force to an amount appropriate for present and expected census" does not immediately point to who should be laid off.

Employees who are laid off to meet organizational goals bear the biggest burden of the reorganization. Thus it is important to be as generous as possible in benefits (like continuing health insurance for several months) and in outplacement assistance. ("Generous" might be the wrong word to use because it is not charity but justice at issue here; laid-off employees are owed benefits to partially compensate them for the burdens they are bearing for the organization.) In addition, it is appropriate to give special consideration to laid-off employees when new positions become open. Administrators should make sure that policies on benefits for laid-off employees are adequate at the time they are making decisions about downsizing.

SELECTION CRITERIA

Employees selected for layoff should be identified on the basis of the articulated goals for work force reduction, whenever possible. Goals directly related to specific services sometimes lead to clear identification of the positions to be eliminated by department and job title.

When the rationale for downsizing does not itself clearly identify which individuals will be laid off, the tough decisions can be based on a variety of factors.

"Across-the-Board" Work Force Reductions Sometimes institutions that need to reduce overall work force costs ask each department to reduce by a particular percent. Although such a practice has the advantage of treating each department "equally," "equal" is not always the same as "fair" or "just." A candid focus on quality and efficiency of services delivered will rarely suggest that "across-the-board" reductions are appropriate.

Reductions Based on Employee Abilities, Qualifications, and Performance Sometimes layoff decisions are based on a comparative analysis of employee qualifications, experience, skills, and demonstrated ability to work effectively and cooperatively. This method contains some obvious good sense; the ongoing needs of the department and the organization require that attention be given to workers' quality and effectiveness.

But there are reasons to be careful about overemphasizing qualifications and performance. The decision to reduce the work force should not be used as an opportunity to separate employees because of poor performance, behavioral prob-
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"survivors" are often demoralized and insecure.

Everyday who has that responsibility should receive guidance in advance about how to proceed. Ethical downsizing requires honesty and clarity, sensitivity to an employee’s need for privacy and dignity, and nondefensiveness if an employee is angry or threatens to file a grievance.

Ethics and Management

Increasingly, managers are recognizing that there are ethical issues in business and that it is helpful, at times, to give careful reflection to the ethical dimensions of particular practices or decisions. An important part of ethically responsible management is maintaining a commitment to and a focus on justice, human dignity, and other fundamental values in day-to-day administration of an organization.

The issue of downsizing merits a major investment of time and energy because it has major impact on the lives of many human beings. Downsizing is much more than a way of cutting costs or getting rid of some “dead wood.” How downsizing is handled says a lot about the nature of an organization and its leadership. Ethical downsizing is, first of all, a refusal to deny the complexity of the issues and evidence of the organization’s commitment to justice and human dignity.