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Abstract

This article aims to depict a broader view of downsizing and donate a more extensive role to outplacement in preserving employment and benefits of survivors as well as dismissed employees. We start with a literature review on some basic terms, theories of job loss, effects of downsizing on organization, dismissed and surviving employees. Later, we present a conceptual framework for outplacement and summarize former models. Consequently we merge outplacement and downsizing and try to describe how these two concepts can be seen together. With this effort, we aim to put forward that legal regulations, employers’ responsibilities may be enhanced in favor of employees and coping strategies may be developed and placed by employers to protect well-being of employees.

Key words: Downsizing, Job Loss, Outplacement, Coping Strategies, Survivors.

1. Introduction

Since the last quarter of 20th century, permanent employment contracts have reduced, job security has diminished, stability in labor markets has been broken and new work styles such as part-time working, temporary employment and flexible working have been increasingly used by companies (ILO, 2001; Zeffane and Mayo, 1994a). Various management techniques and strategies (i.e. core competence, outsourcing, downsizing, rightsizing, lean organization, zero hierarchy, etc.) have been the focus of theorists. Downsizing was, possibly one of the most frequent subjects of articles that have been attributed to new concepts of our age.

2. Downsizing

Downsizing means planned efforts to eliminate positions or jobs (Cascio, 1993), in least words. With a wider look at the theoretical background, it can be described as proactively diminishing of personnel, positions (Godkin, Valentine and St. Pierre, 2003), jobs (Starcher) and processes by management. Therefore, it involves not only a reduction in workforce, but also leaning in positions and processes (Cameron, Freeman and Mishra, 1991). Aims and drivers of downsizing vary in three dimensions: organization-strategy, environmental factors and performance. The first one includes speeding up decision making by reducing hierarchical layers, alleviate the burdens of bureaucracy, attaining core competences (Hitt, Keats, Harback and Nixon, 1994), creating efficient communication, empowering human resources. The second one covers adjusting to environmental changes and global competition. Performance related factors, the third dimension involves minimizing costs, improving productivity and profitability, pulling up the market value (Guild, 2002), and gaining competitive advantage (Cascio, 1993; Heenan, 1989; Lämsä and Takala, 2000; Appelbaum, Close, Klasa, 1999; Appelbaum, Bethune, Tannenbaum, 1999; Grimshaw and Kleiner, 2002; Mirvis, 1997; Palmer, Kanawoff and Dunford, 1997; Band and Tustin, 1995). However, many downsizing practices end with failure in economic (De Meuse, Vanderheiden and Bergmann, 1994, Vanderheiden, De Meuse, Bergman, 1999; Hitt, Keats, Harback and Nixon, 1994) and organizational (Cascio, 1993; Godkin, Valentine St. Pierre, 2002; Karake 1998; Kinnie, Hutchison and Purcell, 1998) aspects. Cameron and others revealed that very few of downsized com-
panies could enhance their effectiveness and many of them stayed below their pre-downsizing quality, productivity and effectiveness levels (Cameron, Freeman, Mishra, 1991).

Although it is not a must of the process, almost all downsizing practices bring reductions in force with them (Dolan, Belout and Balkin, 1999) and use it as a tool for reacting strategically to competitive environment (Lee, 1997). 10% of DLC’s staff when it was acquired by Crédit Suisse, 25% of Korfezbank’s (was located in Turkey) staff when it was acquired by Osmanlı Bankası was laid off. 12% of total staff after the merger of Integra Financial Corp., Union National Bank and Pennbancorp was laid off (ILO, 2001). Royal Airlines of Netherlands, KLM, separated 4500 of its workers as a part of its restructuring program. According to Laabs, number of unemployed in 1998 due to mergers and acquisitions was 73,903 (Laabs, 1999).

3. Effects of Job Loss

Since corporations are members of the society in which they operate, they are subject to social contracts and are expected to be ‘good citizens’ by respecting values according to social contract theory (Van Buren III, 2000). Psychological contract theory, on the other hand, suggests that organizations and individuals develop consensus over appropriate employment arrangements (Godkin, Valentine, St. Pierre, 2002) and there exist reciprocal obligations between them (Leung and Chang, 2002). Today, social and psychological contracts among sides of employment relationship are likely to be disregarded or not entirely fulfilled (Morrison and Robinson, 1997; Appelbaum, Bethune and Tannenbaum, 1999; Appelbaum, Hensen, and Knee 1999). This belief drives employees’ concerns shift from organizational plane to worry on job security, promotion and wages (Leung and Chang, 2002). Companies no more give employment security to workers but rather imply employability (Kieselbach and Miller, 2002).

There is a tight relation between job loss and psychological well being, financial standing, physical health, social/familial relations (Eby and Buch, 1994; Laabs, 1999; Henkoff, 1994; Kinicki, Prussia and McKee-Ryan, 2000; Greenhalgh, Lawrence and Sutton, 1988; Leana and Ivancevich, 1987; Wilson, Larson and Stone, 1993). However some research suggests that not all individuals react negatively to job loss (Guild, 2002; Swinburne, 1981). Authors as Doherty (1998), Gowan and Gatewood (1987) underline the emancipative side of job loss by saying, in brief, that for some individuals, job loss is a liberating experience and can be recognized as an opportunity for career growth.

Greenberg’s (1990) organizational justice theory suggests that employees assess the situations that will affect their well-being, and react positively if they believe the decisions upon these situations (distributive justice), methods that will be used to implement those decisions (procedural justice), and behaviors of executioners are fair. Paterson and Cary (2002) found that change practices, which give participation, application and support opportunities, enhance employees’ positive attributions, lessen their anxiety, intensify their justice appraisals and finally help them to accept downsizing. They also say that effective communication in change process supports justice appraisals which in turn increase the level of trust to management. Turnley and Feldman (1998) suggested that management’s justice (carefully and honestly explaining external forces which caused them to change the deal) can mitigate severe reactions to psychological contract violations. Lastly, Devos and Buelens (2003) posit that trust in executive management and supervisors, active participation to process, successful history of change positively affect employees’ openness to change.

Past decades witnessed a tendency that surviving employees would raise their productivity after downsizing since they still have jobs; so that they do not need special care (Appelbaum, Close and Klasa, 1999). Even today, firms still do not recognize the importance of managing survivors (Kinnie, Hutchinson and Purcell, 1998). However, special cautions should be implemented for those who stay as well (Doherty and Horsted, 1995), since aimed achievements are up to performance of survivors (Nelson, 1997) and an important reason for failure of downsizing is lack of care to human factor (Labib and Appelbaum, 1994).

Perception of a future change (i.e. merger, downsizing) can nurture perceptions of uncertainty among employees and this, in turn, (with a probable expectation of layoffs) may increase stress, trim commitment and satisfaction (Schweiger and Denisi, 1991; Appelbaum, Bethune and Tannenbaum, 1999). ‘Emotional perceptions’ is not the only group of factors that affect commit-
ment to change. Besides, external factors like transformations in industry structure, legal background, technological development and competitive pressure; some internal factors such as support and influence of top management, time and participation affect commitment and support to change. Research shows that downsizing leads anger, weakening trust to management, stress, weakening organizational commitment, resistance to change (Shaw, Barrett-Power, 1997; Greenhalgh, Lawrence and Sutton, 1988), declining productivity and motivation, loss of morale (Doherty, Bank and Vinnicombe, 1996; Appelbaum and Donia, 2000; Appelbaum, Close and Klasa, 1999). Resistance to change, which may be up to future and job loss anxiety, may show itself in absenteeism, sabotage, theft, decreased motivation, morale, loyalty, productivity, creativity and organizational learning (Paterson and Cary, 2002). If procedural and organizational justice theories are brought together with resistance to change such a conclusion would be possible to be drawn: ‘when employees think they are not treated fairly, they feel anxious about their future, job and this in turn causes them to resist to change’.

4. Coping Strategies

Coping strategies are constantly changing cognitive and behavioral efforts adopted by individuals to reestablish new routines after they have experienced a stressful event (Latack, Kinicki and Prussia, 1995; Leana, Feldman and Tan, 1998). They have three main functions: to deal directly with the demands placed on the entity, create motivation to meet those demands, maintain a level of psychological equilibrium within the entity (Shaw and Barrett-Power, 1997). In the context of job loss, coping behaviors are activities directed at either gaining reemployment or gaining some semblance of psychological well-being after layoffs.

Generally a dichotomy has been widely used in coping strategies as problem-focused and symptom focused (Leana, Feldman and Tan, 1998). However a third coping strategy, emotion-focused coping can be added to these two coping strategies. Problem focused strategies involve behaviors related to stress and its causes which can be noted as job loss and unemployment, financial effects, social support, daily activities and job search (Fielden and Davidson, 1999). Emotion-focused strategies involve organizing emotional reactions to problem and lastly, symptom-focused strategies cover behaviors to control or eliminate negative consequences of stress (Leana, Feldman and Tan, 1998; Gowan and Gatewood, 1997).

Leana and Feldman (1998) discuss six coping behaviors that terminated employees develop. These are searching a new job, retraining, searching new geographical places for better job opportunities (these can be inserted in problem-focused coping strategies), searching social support from family and friends, searching financial support, joining social services to help other unemployed people (these three can be inserted to symptom-focused coping strategies).

5. Outplacement Models

Outplacement is the planned efforts provided or paid by the corporation to assist terminated employees in seeking and finding new positions in other organizations (Mendleson, 1975). It includes, assistance in defeating psychological and social problems caused by unemployment, determining new career goals, developing new skills, use of office equipments, preparing résumés (Balkin, 1992; Gibson, 1991; Zeffane and Mayo, 1994b; Stewart, 1999; Zajas and Cates, 1995; Hagevik, 1998; Meier, 1995). Outplacement may help alleviating burdens of job loss, shortening the process of unemployment, conducting a systematic job search process (Healy, 1982).

We found six models relating outplacement: Super’s Theory of Career Counseling, Latack and Dozier’s Career Growth Model, Mirabile’s Stages of Transition Counseling Model, Kirk’s Holistic Outplacement Model, Aquilanti Integrated Model and the SOCOSE Project.

Super is probably the one who constructed the underpinnings of career development and gave outplacement a theoretical background. Seven elements of career adaptability (Super, 1983); work value, ability to manage one’s life, skills of reflection/learning from experiences, planfullness, information, decision making and exploration have close connections with outplacement and coping strategies.
Latack and Dozier’s model emphasizes career development after a job loss. They attribute special significance on keeping stress in a moderate level and claim that achieving this, individuals can focus to their future and conduct efficient job search techniques (Latack and Dozier, 1986). In managing stress there are three groups of factors: individual characteristics (pre-job loss work attitudes, career stage, activity level), environmental characteristics (financial resources, social support, flexible family structure) and characteristics of the transition process which can be used as a tool in outplacement programs.

Kirk’s model, in his article “Putting Outplacement in Its Place”, consists of three basic elements: regaining equilibrium, career development and job hunting (Kirk, 1994). In the first stage, the individual is guided by the counselor for regaining his equilibrium in psychological, personal and financial dimensions. Second stage involves four traditional career planning steps: assessment, career exploration, career decision making and action planning. The counselor, in this stage, can conduct an active relationship with the individual for personal development. The final stage covers reinsertation of unemployed worker into job market with his new skills. Indeed, this model is the one which packages of outplacement agencies have strong similarities (i.e. Lee Hecht Harrison’s AIM Model).

Aquilanti Integrated Model, contains some aspects of former models and claims that individuals pass through four stages: loss, grieving and transition, personal development, job search and ongoing counseling support (Aquilanti and Leroux, 1999). Like Kubler-Ross’ Grief Theory and Parker&Lewis’s Transitions Model, this model argues that individuals envisage a process of loss, grieving and transition. In line with Eby & Buch (1994), Aquilanti and Leroux articulate that personal development of individuals can be achieved when the acceptance stage of grieving process is reached since energy can be focused on attaining reemployment. They state that counselor should assist the individual to identify his strengths, weaknesses, limits, dreams, values, wants, needs, interests and accomplishments; help them alleviate their stress and then provide information on financial planning. The most distinguishable aspect of this model is perhaps its final stage: ongoing counseling support. It remarks that counseling should not end with donating necessary skills but continue with ongoing guidance and encouragement to ensure the individual to benefit from the counseling.

SOCOSE (Social Convoy and Sustainable Employability) Project seeks to develop a European Outplacement Model that loads more responsibility to corporations in conducting layoffs. It aims to bring more transparency to process of dismissals, support unemployed workers and provide them to reenter the job market in the shortest time possible (Kieselbach and Miller, 2002). It places counseling to a higher degree where it functions not only as a support in case of dismissals but also a life time endeavor for continuous learning and fulfilling requirements of labor market. Therefore, counseling should begin before dismissals when employment security weakens and unemployment risk emerges. Its underpinnings are based on being honest and open to employees, as Eby and Buch articulated in their article in 1998. According to them, ethical dismissals should deploy three elements: advanced warning of job loss, open communication and institutional support (Eby and Buch, 1998).

6. Combining Downsizing and Outplacement

Downsizing and outplacement have been examined by various researches. The strategy that a downsizing company adopts entirely affects the success of the transition process (Cameron, Freeman and Mishra, 1991). Outplacement can play a strong role in managing downsizing. Nevertheless there is lack of a perspective that combines these two concepts in a pot.

Models of Latack & Dozier, Kirk and Aquilanti have been developed mainly according to the relationship between the dismissed employee and the counselor. However, the role of the employer seems somehow ignored or slighted in these models. Almost none of these models depict a clear road for employers or their agents. Besides, these models ignore the impact of layoffs on society. On the other hand, the SOCOSE (Social Convoy and Sustainable Employability) Project, the one which is performed by Bremen University under supervision of Thomas Keiselbach, aims at the formulation of an integrated European model of outplacement counseling. It proposes some
measures for donating transparency to layoff process in favor of employees, for supporting dismissed employees in their coping process and providing them to reenter the job market in the shortest time possible.

In line with SOCOSE Project, we believe it may be more helpful to design a new perspective. Via this way, outplacement may be located in a position which encompasses two functions. The first function may be alleviating the psychological and professional burdens on dismissed and surviving employees. And the second one may be assistance to create a new structure. This includes more efficient economic operations, protection of employee rights and organizational benefits.

This two-fold outplacement understanding may be designed to form a lifetime endeavor which offers advantages to employees and employers. Firstly, keeping its original mission, it may be an employee support package which appears in the process of job loss. Secondly it may feed up individuals with continuous learning and assist to adoption of job market requirements, including skills, technical knowledge. While the first one may serve to interests of employees, the second one may be sound for employers and survivors of downsizing as well. In order to realize these goals, all sides of the job market may be inserted to outplacement process: dismissed employees, survivors, managers, society, government and counselor.

Outplacement may be considered as a network of interactions among stakeholders in implementation of organizational downsizing. Under the framework depicted in the figure above, three main stages (planning, supervision and support) may help to redefine the concept of outplacement.

The first stage, which we call planning, can be regarded as a preparatory phase for downsizing. Cameron and others depicted three downsizing strategies for organizations. According to them, organizations that downsize employ workforce reduction, organizational redesign and systemic approach strategies in accordance with their goals (Cameron, Freeman and Mishra, 1991).

Given this, it may be more constructive to implant outplacement counseling into downsizing process before a firm decides which strategy or strategies to adopt. Since long term strategies pass beyond the simple aim of cost reduction and attempt to change organizational culture and transforming working systems, they could ease the probability of failure by balancing labor supply and demand. In many European countries, employers have to inform public employment authority and workplace committee before mass layoffs, as required by legal conditions. Widening this framework, as a necessity of social state principle, governments may enforce employers to take assistance from public employment authorities or private counselors before any action that could provoke layoffs in order to prevent unemployment, social and economic problems that could affect
individuals and society, psychological and professional problems of survivors, productivity and morale in the organization. In that way, public authority may promote to a higher position where it can better ensure the use of passive and active workforce strategies as well as the need for downsizing, its dimensions and practices. Also, employees can be warned in advance, even before the legal requirements, since they may be insufficient to find a new job.

Most downsizing companies use workforce reduction as a first resort. However that does not guarantee the success of the process (Cameron, Freeman and Mishra, 1991). Besides their traditional roles, outplacement firms may have a broader role in assisting top management in deciding whether to downsize or not, in determination of downsizing strategies, proposing alternatives to layoffs. Therefore outplacement enters into process from the beginning. In this proposed perspective, Point A in Figure 1 exhibits the search for alternatives to layoffs. It helps reducing the risk of unemployment and enlarging the borders of counseling. Moreover, the limits and supervision on downsizing could force employers tacitly to use their workforce more efficiently. Dewettinck and Buyens (2002) also suggested that, in case of downsizing, organizations may enhance the employability of their workers by a proactive internal approach within a sustainable employment policy that involves lifelong learning. As a result, costs of dismissals, reemployment, and decline in productivity may be avoided.

Supervision stage involves cooperation of employer and counselor (the outplacement firm) by figuring out the means of support to dismissed employees and survivors. Here the policymaker is the top management; and outplacement firm acts as a support mechanism. As required by laws and social responsibility, firms offer some support packages to employees who are laid off. Although some practices show that these packages could exceed legal borders, survivors are generally excluded from the scope of assistance. However, downsizing possesses difficulties not only to departing employees but also to survivors and organization itself (Shore, 1996). Ketz De Vries and Balazs (1997) distinguished that downsizing has effects on three groups: victims, survivors and executioners (those responsible for implementation of downsizing). Supervision stage, in this context, offers to give the maximum guidance and financial aid to departing employees and survivors. Research has shown that, despite the belief that they should be happy for being retained in the organization, surviving employees need special care for coping with impacts of downsizing (Appelbaum, Close and Klasa, 1999). In line with this, Nelson (1997) stated that attaining post downsizing targets is linked to survivors’ performance and they should be looked after carefully. Firms may apply proactive steps for maintaining well-being of survivors, since layoffs threat psychological contracts between them.

Taking into account the impossibility of sustaining employment forever due to economic and personnel related reasons, firms sometimes may be forced to make arrangements in their positions. However, because employees are not principal causes of failure, its consequences are better be shared between them and the employer. For that reason, in case of downsizing, firms can assume some steps to protect their surviving employees. Efficient leadership, well-planned communication, qualitative and operational empowerment and participation would make survivors more protected and self confident. Social responsibility, motives for developing social image and protecting organizational productivity may be the leading rationales of these steps. Once the psychological contract is damaged it can be hard to reconstruct it. Thus, firms can not easily convince employees about their future job security. Under these circumstances, it may be a better solution to empower them not by just giving more tasks and responsibilities but donating them with enriched skills, knowledge and experience which could strengthen their employability. Outplacement firm can play a facilitator role in determining training requirements.

Support, the last stage, organizes the ingredients of counseling to survivors and dismissed employees. While the critical responsibility is on management in supervision stage, the primary executioner becomes the outplacement firm in the support stage. The most critical function of outplacement counseling is bolstering laid off employees in finding new jobs especially by means of assisting in employment of coping strategies. Former models and practices tacitly or implicitly inject the handling of coping resources in defeating or alleviating the burdens of dismissals. However, broadening the borders of this action through survivors may assist them to react more efficiently with job insecurity. This should be performed both by outplacement counselors and top management. Therefore,
coping strategies whose functions are to deal directly with the demands placed on the entity, create motivation to meet those demands, maintain a level of psychological equilibrium within the entity (Shaw and Barrett-Power, 1997) can be redesigned not only for regaining equilibrium to dismissed employees but also to survivors in terms of organizational commitment, performance and maintaining morale. This need can be distinguished easier if the fact that the leave of key staff is one of the most important reasons in failure of downsizing practices. That’s why, special attention is needed to enforce coping strategies for survivors in supervision and support stages. Survivor syndrome cannot be easily defeated or eased by employers’ promises on keeping employment level steady. Providing this entails legal arrangements (i.e. active labor strategies, obligatory training programs) and inserting coping strategies both by outplacement firm and top management.

On the other hand, classical functions of outplacement counseling may be kept valid. Three fundamental components: assessment of professional and personal qualifications (strengths and weaknesses), development of a future plan for reemployment and assistance for transition to a new career are being deployed by all major outplacement companies. Although not every outplacement company includes psychological support as a separate element of counseling package, counselors deal with candidates’ emotional problems like anger, anxiety and depression. Psychological support works as a combining tool and it is important that counselors develop empathetic relations with candidates and be understanding, flexible and warm to them (Aquilanti and Leroux, 1999). Therefore counselors need to recognize the concept of grieving process and its phases.

If assistance to dismissed employees attains its goals, they would be reinserted to job market with enhanced qualifications. On the other side, survivors morale would be maintained, commitment to organization would be procured. Furthermore, their employability would rise since they would have been donated with new skills and technical knowledge. However, overall success is to be guaranteed by retaining most positions steady without dismissals and also by keeping employees qualified enough to preserve their employability.

7. Limitations and Conclusion

Throughout our proposal we illustrate a system of outplacement which embraces survivors and dismissed employees by donating more responsibility to the employer, the outplacement firm and the government. One limitation to this may be the role of government in protecting employment since it is given a broader role to act more directly in maintaining employment, contrary to other models. It may be somewhat difficult to charge such a responsibility in this era of deregulation and new liberal economy. However, protective steps thorough active and passive labor policies may be expanded contextually and geographically.

Another limitation could be the applicability of this system. In as much as it restrains decision making ability of employer, executioners may find it hard to employ in case of downsizing. Taking into consideration that this is not a step by step model, it would be hard to deploy it in a prescriptive manner. Therefore, the process has to be tailored for each candidate.

Thirdly, we propose the deployment workplace committees. Although many national regulations lay deployment of them as a condition in some organizational decision making procedures; their efficiency and probable facilitative role have not been measured by statistical instruments of an applied research.

This paper does not assert radical solutions to humane issues of downsizing and to practices of outplacement. However, it gathers different judgments relevant with sustainable employment and protecting benefits of survivors and inserts them in the process of downsizing. It may have advantageous implications for protecting social and psychological contracts, employer’s image, survivors’ well-being and employment level.

Our perspective has three distinctive features, apart from government intervention. The first one is that it combines downsizing and outplacement. It illustrates that downsizing may be executed proactively by outplacement assistance. The second one is advance warning of employees not just before dismissals but before coming to a decision to downsize. This gives more time to workplace committees and public employment authorities to find solutions to layoffs and to employees to be dismissed to evaluate alternative employment opportunities. The third one is protec-
tion of survivors in process of downsizing as well as dismissed employees. Aiming this, it broadens the concept of coping strategies in favor of survivors by charging employer with enriching coping resources and employing them to ease the burden of stress.

As a conclusion, there is ample accumulation of literature in managing downsizing and career transition. Nevertheless, practice shows that research is not enough to build a sound framework for cohabitation of employees’ and employers’ interests. This study is just a modest effort in this path. Future research could be devoted to develop a better established understanding in reducing severe layoffs, preventing their side effects and unemployment.

References