Chapter 1
A STUDY OF COMPANY VOLUNTARY RETIREMENT SCHEME
IN MUMBAI AND NAVI MUMBAI

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Chapter 1

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1.0 Introduction:

Industrialization has started in the late 70s & early 80s, which resulted in demand for more goods and services. During that time companies had recruited lot of manpower to meet the demand from the customers. Due to globalization multinational companies in India made quality products and services available to customers. The pressure on Indian industry had come from countries like China and Japan. Due to change in technology, the existing manufacturing processes and products had become outdated resulting in heavy losses to the companies. To overcome this problem companies had no other option but to go for new technology. New technology requires less manpower. When the manufacturing process became automated, it resulted in excess manpower. Moreover new technology needs different skills altogether. Present employees have to be either trained or be replaced by machines. Due to this the cost of manufacturing had gone up. The companies had started cutting cost such
as canteen cost, overtime cost, transportation cost etc., Some companies, which had given facilities to employees like company car, housing loan and other benefits, subsequently withdrawn the same. Companies started outsourcing some of their products and other activities. Some companies, shifted their locations from Mumbai to other remote and underdeveloped places, in order to reduce costs like municipal and sales tax. In addition to these measures the companies planned to reduce manpower cost by downsizing their employees wherever they felt excess of manpower. Thereby Voluntary Retirement Scheme came into existence to reduce manpower.

1.1. About Voluntary Retirement

Meaning of Voluntary Retirement:

The word "Retire" has been defined in the Concise Oxford Dictionary as "cease from office or give up office or profession or employment". Voluntary means without compulsion or willingly. Therefore Voluntary Retirement is an act on the part of the employee to give up employment willingly and without compulsion, from the employer. It is a unilateral act on the part of an employee to cease the contract of employment with the employer.
Mainstream economists perceive voluntary retirement as a measure to shed the workforce whose marginal productivity is zero. Further, it is argued that this could be introduced in an industrial organization for maintaining its cost effectiveness in an increasingly competitive world. Moreover, voluntary retirement is accompanied by technological modernization that warrants the replacement of labor with capital. Technological modernization improves the productivity of existing workforce so much so that a section of the existing workforce becomes again redundant even as modernization enhances the installed capacity of the technology. The workforce that becomes redundant in this process has to retire or be retrenched.

The rationale behind the introduction of voluntary retirement scheme (VRS) in India is that any organized industrial organization has to operate within the existing legislative framework, which does not allow the organization to shed the redundant workforce without adequate compensation.

Employers refer to VRS as 'golden handshake', trade unions call it 'voluntary retrenchment scheme', and for the government, it is 'unstated exit policy' which means that an exit policy which may not exist on paper. VRS is one of the strategies introduced in the early 1980s in
central public sector undertakings (PSUs) to reduce the so-called surplus or redundant workforce. It gained publicity after the introduction of new economic policy in 1991. In India, the government employs more than 70 per cent of the organized workforce; it uses all its channels to reduce the organized sector of the workforce without antagonizing the trade unions. It is envisaged in the new economic policy that VRS can provide minimum sustenance security to the retired individual and his family.

Trade unions play a crucial role in introducing the VRS in any organized sector firm. The scheme cannot be implemented without, at least, the tacit approval of the representative union. Sometimes without the consent of the trade unions, workers legalize the VRS by accepting it en masse. Siemens have also been able to successfully reduce their workforce through the introduction of VRS. Workers opted for VRS due to apprehension of closure of firms or personal reasons such as poor health, clearance of debt, marriage, education of children, etc.

The main objective behind the scheme is to send out those who cannot be retrained in new skills. The premise of the argument appears to be weak. The liberalization policy, in its anxiety to modernize, restructure and globalize the products of Indian industry, is wasting precious labor force that could have been modernized through retraining and on-the-job
training. Precious skills and abilities of the retrenched workforce are equated with worn out physical capital that may not be susceptible to repair or modernization. Are human beings not capable of learning and modifying their knowledge, skills and applying the same to produce higher output? The current emphasis on restructuring does not allow such questions.

The free economy and trade liberalization have ushered in the need for the enterprises to have a competitive edge. Economic forces have led to organizational cost cutting, changes in production processes, exploration of new markets, plant relocations, modernizations, downsizing and structural changes.

Organizational adjustment at all levels has become extremely imperative. Over manning has crept into almost all-industrial units on account of the inability of the enterprises to reduce or adjust workforce as per the business needs. The sort of cuts that only happened in heavy industries has now become widespread. The days of nibbling away deadwood have long gone. It's time for the organizations to realign and focus on the core competencies.
The Voluntary Retirement Scheme (VRS) is the latest mantra of many a corporate and Public sector units. The company may decide to declare a VRS based on their HR plan and suitability. For a common salaried individual this becomes a major decision.

The company as per their human resource policy declares VRS or the Voluntary Retirement Scheme. VRS is a scheme whereby the employee is offered to voluntarily retire from his services before his retirement date. Subject to certain conditions the company offers VRS to its employees. It is the golden route to cut the excess flab. The most humane technique to retrench the employees in the company today is the voluntary retirement scheme. It is the golden handshake for the employees and the only option today for the companies to downsize their headcount. The scheme which is formally permitted by the Department of Public Enterprises and which provides the lucrative way for the employees to terminate their services and accept VRS.

As the name suggests the VRS is strictly voluntary i.e. one can neither compel the workers to accept it nor apply it selectively to certain individuals. One can however choose the levels, units and age groups among whom one wants to offer VRS. But the company can always accept or reject the application for the VRS. But usually this is not done
in practical circumstances as it sends wrong signals to the employees. It might imply that the VRS is not actually voluntary but a selective procedure of downsizing.

Technicalities

The Voluntary Retirement Scheme is a legal way to downsize and thus it involves certain technicalities. The VRS candidates must have worked for the organization for a minimum of 10 years and also the age of the worker must be a minimum of 40. Employees not complying with these conditions still can apply for the early separation but it would not be counted as the VRS legally. Thus these employees won't be able to avail the benefit of tax exemption. The employees receiving VRS can get the tax exemption for the amount of Rs. 5 lakhs lumpsum. Anyone receiving more than Rs. 5 lakhs would be charged under Income Tax Act. Thus an employee opting for early separation and not fulfilling the age or experience criteria would be taxed on the whole amount he receives. However the lumpsum amount could be lower of the following:

- Three months' salary for each completed year of service.
- The monthly salary at the time of applying for the VRS multiplied by the number of months left before retirement.
The normal benefits that an employee gets:
- Provident fund
- Encashed accumulated leave
- Gratuity
- Salary for the notice period
- Cost of transfer to the hometown

Also to make the scheme very attractive for the employees the severance package as it is called can include other benefits like
- Medical insurance
- Housing loans
- Subsidies on children's education loans, etc.

1.1 Need for VRS:

In the era of globalization and competition the organization has to remain slim and active to survive on long-term basis. It applies not only to the commercial organizations but also to the government and government run institutions. The excess flabs in terms of more than required employees are offered-The Voluntary Retirement Scheme (VRS). The company may decide to declare a VRS based on their HR plan and suitability. For a common salaried individual this becomes a major decision.
The new economic policy of 1991 made a drastic change in India. The policy allows foreign countries to make open investments in Indian companies. Most of the Indian companies started collaborating with the foreign counterparts to strengthen on quality and productivity. For keeping the pace with the increasing competition, the Indian companies had to adopt modern technology, machine-replacing labour. Companies facing difficulties were buying the costly machinery on one hand and on the other hand spending money on workers. Such companies had no other option than to reduce the workforce keeping in mind the twin purpose of labour welfare and companies interest. Most of them started implementing VRS to overcome the problem of over-staffing. In the face of changes at macro economic level and increased competition at the market place, it has become very imperative for the companies to ensure long term viability, it is with this objective that the company has to make its organization more efficient so as to effectively face the competition and retain and increase its market share. In addition to the above, there are several employees, who on account of their health are not able to attend work regularly. They neither can contribute effectively to the productivity nor are they able to earn full salary on account of their irregular attendance. This further more encourages the management to
implement a VRS system. With an objective to improve the overall efficiency/productivity of the company to face the competition effectively and also with a view to provide financial assistance to such employees whom, despite being disabled/sick/less productive have to work to make a living. Hence the companies are introducing Voluntary Retirement Scheme.

1.3. **Downsizing over the World:**

Job market across the world looked very gloomy in the early 21st century, with many companies having downsized a considerable part of their employees' base and many more revealing plans to do so in the near future. Companies at global level laid off over 460,000 employees during early 2001. This trend created havoc in the lives of millions of employees across the world. Many employees lost their jobs at a very short or no advance notice, and many others lived in a state of uncertainty regarding their jobs. Companies claimed that world wide economic slowdown during the late 1990s had forced them to downsize, cut costs, optimize the resources and survive the slump. Though the concept of downsizing had existed for a long time, its use had increased only recently, since the late 1990s.
# DOWNSIZING BY MAJOR COMPANIES (1998-2001)

Table 1.1

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Industry</th>
<th>No.of Employees Downsized</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Boeing</td>
<td>Aerospace</td>
<td>20,000</td>
</tr>
<tr>
<td>1998</td>
<td>Citi Crop</td>
<td>Banking</td>
<td>7,500</td>
</tr>
<tr>
<td>1998</td>
<td>Chase Manhattan Bank</td>
<td>Banking</td>
<td>2,250</td>
</tr>
<tr>
<td>1998</td>
<td>Kellogs</td>
<td>FMCG</td>
<td>1,000</td>
</tr>
<tr>
<td>1998</td>
<td>BF Goodrich</td>
<td>Tyres</td>
<td>1,200</td>
</tr>
<tr>
<td>1998</td>
<td>Deere &amp; Company</td>
<td>Farm Equipment</td>
<td>2,400</td>
</tr>
<tr>
<td>1998</td>
<td>AT &amp;T</td>
<td>Telecommunication</td>
<td>18,000</td>
</tr>
<tr>
<td>1998</td>
<td>Compaq</td>
<td>IT</td>
<td>6,500</td>
</tr>
<tr>
<td>1998</td>
<td>Intel</td>
<td>IT</td>
<td>3,000</td>
</tr>
<tr>
<td>1998</td>
<td>Seagate</td>
<td>IT</td>
<td>10,000</td>
</tr>
<tr>
<td>1999</td>
<td>Exxon Mobil</td>
<td>Petroleum</td>
<td>9,000</td>
</tr>
<tr>
<td>2000</td>
<td>Lucent Technologies</td>
<td>IT</td>
<td>68,000</td>
</tr>
<tr>
<td>2000</td>
<td>Charles Schwab</td>
<td>IT</td>
<td>2,000</td>
</tr>
<tr>
<td>2001</td>
<td>Xerox</td>
<td>Copiers</td>
<td>4,000</td>
</tr>
<tr>
<td>2001</td>
<td>Hewlett-Packard</td>
<td>IT</td>
<td>3,000</td>
</tr>
<tr>
<td>2001</td>
<td>AOL Time Warner</td>
<td>Entertainment</td>
<td>2,400</td>
</tr>
</tbody>
</table>

Source: ICMAR
1.3.1 Analysts commented that downsizing did more damage to than
good to the companies as it resulted in low morale of retained
employees, loss of employees loyalty and loss of expertise as key
personnel/expert left to find more secure jobs. Moreover, the
uncertain job environment created by downsizing negatively
affected the quality of work produced. Analysts also felt that most
companies adopted downsizing just as a 'me-too' strategy even
when it was not required. However, despite these concerns, the
number of companies that chose to downsize their employee base
increased in the early 21st century. Downsizing strategy was
adopted by almost all-major industries such as banking,
automobiles, chemicals, information technology, fabrics, FMCG,
air transportation and petroleum.

1.3.2 In mid-2002, some of the companies that announced downsizing
included Jaguar (UK), Boeing (US), Charles Schwab (US), Alactel
(France) Dresdner (Germany), Lucent Technologies (US) and
Goldman Sachs group (US). Even companies in developing
countries such as India, Indonesia, Thailand, Malaysia and South
Korea had gone for downsizing. Downsizing as management tool
was first introduced in the US during the mid-20th century. It refers
to the process of reducing the number of employees on the
operating payroll by way of various kinds of downsizing
techniques and strategies.

1.3.3. In the 1980s, downsizing was mostly resorted to by weak
companies facing high demand erosion for their products or facing
severe competition from another companies. Due to these factors,
these companies found it unviable to maintain a huge workforce
and hence started downsizing a large number of employees. Soon,
downsizing came to be seen as a tool adopted by weak companies,
and investors began selling stocks of such companies in
anticipation of their decreased future profitability. However by the
1990s, as even financially sound companies began downsizing,
investors began downsizing considering the practice as a means to
reduce cost, improve productivity and increase profitability.

1.3.4. This new development went against conventional micro economic
theory, according to which a weak firm laid off workers in
anticipation of a slump in demand, and a strong firm hired more
workers to increase production anticipating an increase in demand.
In the 1990s, most firms were downsizing inspite of an economic
boom; labour costs were not rising in relation to productivity and
the companies anticipated greater demand for their products. However, this phenomenon is not very difficult to understand. During the early 1990s, organizations resorted to downsizing on account of various reasons: To eliminate duplication of work after Mergers and acquisition to optimize resources and cut costs, and to increase productivity and efficiency by eliminating unnecessary intermediary channels.

1.3.5. Companies expected the productivity of employees remaining after downsizing to increase as they thought it would be easier to train and manage a smaller workforce. However, according to Hickok, an industry analyst, downsizing resulted in vast cultural changes (mostly negative) in the organization instead of an increase in cost savings or productivity. Hickok observed the following changes in organizational culture after downsizing: Power shift from middle management to top management/owners; shift in focus from the welfare of the individual employees to the welfare of the organization as a whole; change in working relationships (from being familiar to competitive); and change in employer-employee relationship (from being long-term and stable to being short-term and contingent). Other negative effects of downsizing included
depression, anxiety, frustration, anger and bitterness in the downsized employees. The harmful effects of downsizing could be seen in ‘survivors’ as well. They experienced low morale and high stress and had to cope with an increase in workload. In addition, they felt that downsizing syndrome was marked with frustration, anger, depression, envy and guilt. The very thought of downsizing created anxiety in both the downsized employees and those who survived. They were concerned about possible job loss, relations with new superiors, revised performance expectations and uncertainties regarding career advancement.

1.3.6 The first phase

1.3.6.1 Till the late 1980s, the number of firms that adopted downsizing was rather limited, but the situation changed in the early 1990s. Companies such as General Electric (GE) and General Motors (GM) downsized to increase productivity and efficiency, optimize resources and survive competition and eliminate duplication of work after Mergers Acquisitions. Some other organizations that made major job cuts during this period were Boeing (due to its merger with McDonnell Douglas), Mobil (due to the acquisition of Exxon), Deutsche Bank (due to its merger with
Bankers Trust) and Hoechst AG (due to its merger with Rhone -
Poulenc SA).

According to analysts, most of these successful companies
undertook downsizing as a purposeful and proactive strategy. These
companies not only reduced their workforce, they also redesigned
their organizations and implemented quality improvement
programs. During the early and mid-1990s, companies across the
world (and especially in the US), began focusing on enhancing the
value of the organization as a whole. According to Jack Welch,
the then CEO, GE. “The ultimate test of leadership is enhancing the
long term value of the organization. For leaders of a publicly held
corporation, this means long-term shareholder value.” In line with
this approach to leadership, GE abandoned policy of lifetime
employment and introduced the concept of contingent employment.
Simultaneously, it began offering employees the best training and
development opportunities to constantly enhance their skills and
performance and keep pace with the changing needs of the
workplace.
During this period, many companies started downsizing their workforce to improve the image of the firm among the stockholders or investors and to become more competitive. The chemical industry came out strongly in favour of the downsizing concept in the early most chemical and drug companies restricted their manpower. Organizations and cut down their employee base to reduce costs and optimize resources. As the perceived value of the downsizing company was more than its actual value, managers adopted downsizing even though it was not warranted by the situation. A few analysts blamed the changes in the compensation system for executive management for the increase in the number of companies downsizing their workforce in 1990s. In the new compensation system, managers were compensated in stock options instead of cash. Since downsizing increased the equity value (investors buy the downsizing company’s stocks in hope of future profitability) of the company, managers sought to increase their wealth through downsizing. Thus, despite positive economic growth during the early 1990s, over 600,000 employees were downsized in the US in 1993.
However, most companies did not achieve their objectives and, instead, suffered the negative effects of downsizing. A survey conducted by the American Management Association revealed that less than half of the companies that downsized in the 1990s saw an increase in profits during that period. The survey also revealed that a majority of these companies failed to report any improvements in productivity.

1.3.6.2. One company that suffered greatly was Delta Airlines, which had laid off over 18,000 employees during the early 1990s. Delta Airlines realized in a very short time that it was running short of people for its baggage handling, maintenance and customer service departments. Though Delta succeeded in making some money in the short run, it ended up losing experienced and skilled workers, as a result of which it had to invest heavily in re-hiring many workers. As investors seemed to be flocking to downsizing companies, many companies saw downsizing as a tool for increasing their share value. The above, coupled with the fact that senior executive salaries had increased substantially between 1980 and 1995, even as the lay-off percentage reached its maximum during the same period, led to criticism of downsizing.
1.3.6.3. In light of the negative influence that downsizing was having on both the downsized and the surviving employees, some economists advocated the imposition of a downsizing tax (on downsizing organization) by the government to discourage companies from downsizing. This type of tax already existed in France, where companies downsizing more than 40 workers had to report the same in writing to the labour department. Also, such companies were liable to pay high severance fees, contribute to an unemployment fund, and submit a plan to the government regarding the retaining program of its displaced employees (for their future employment). The tax burden of such companies increased because they were no longer exempt from various payroll taxes. However, the downsizing tax caused more problems than it solved. As this policy restrained a company from downsizing, it damaged the chances of potential job seekers to get into the company. This tax was mainly responsible for the low rate of job creation and high rates of unemployment in many European countries, including France.

1.3.7. *The second Phase*

By the mid-1990s, factors such as increased investor's awareness, stronger economies, fall in inflation, increase in national income,
decrease in level of unemployment, and high profits reduced the need for downsizing across the globe. However, just as the downsizing trend seemed to be on a decline, it picked up momentum again in the late 1990s, this time spreading to developing countries as well. This change was attributed to factors such as worldwide economic recession, increase in global competition, the slump in the IT industry, dynamic changes in technologies, and increase in the availability of a temporary employee base. Rationalization of the labor force and wage reduction took place at an alarming rate during the late 1990s and early 21st century, with increased strategic alliances and growing popularity of concepts such as lean manufacturing and outsourcing. Criticism of downsizing and its ill effects soon began resurfacing. Many companies suffered from negative effects of downsizing and lost some of their best employees. Other problems such as the uneven distribution of employees (too many employees in a certain division and inadequate employees in another), excess workload on the survivors, reduced productivity and fall in quality levels also cropped up. As in the early 1990s, many organizations downsized even though it was not necessary, because it appeared to be the
popular thing to do. Due to the loss of experienced workers, companies incurred expenditure on overtime pay and employment of temporary and contract workers. It was reported that about half of the companies that downsized their workforce ended up recruiting new or former staff within a few years after downsizing because of insufficient workers or lack of experienced people. The US-based global telecom giant AT&T was one such company, which earned the dubious reputation of frequently rehiring its former employees as the surviving employees were unable to handle the workload.

1.3.7.1. AT&T frequently rehired former employees until it absorbed the 'shock' of downsizing. It was also reported that in some cases, AT&T even paid recruitment firms twice the salaries of laid off workers to bring them back to AT&T. A former AT&T manager commented, "It seemed like they would fire someone and (the worker) would be right back at their desk the next day". Justifying the above, Frank Carrubba, Former Operations Director, AT&T said, "it does not happen that much, but whom better to bring back than someone who knows the ropes?" Very few people bought their argument, and the rational behind downsizing and then rehiring
former employees/recruiting new staff began to be questioned by the media as well as regulatory authorities in various parts of the world. Meanwhile, allegations that downsizing was being adopted by companies to support the increasingly fat pay-cheques of their senior executives increased. AT&T was again in the news in this regard. In 1996, the company doubled the remuneration of its chairman, even as over 40,000 employees were downsized. Leading Internet start-up

1.3.7.2. AOL was also criticized for the same reasons. The increase in salary and bonuses of AOL’s six highest paid executive officers was between 8.9 to 25.2% during 2000. The average increase in salary and bonus of each officer was about 16%, with the remuneration of the CEO exceeding $73 mn during the period. Shortly after this rise, AOL downsized 2,400 employees in January 2001. Following the demand that the executive officers should also share in the ‘sacrifice’ associated with downsizing, some companies voluntarily announced that they would cut down on the remuneration and bonuses of their top executives in case of massive lay-offs. Ford was one of the first companies to announce such an initiative. It announced that over 6,000 of its top executives,
including its CEO would forgo their bonus in 2001. Other major companies that announced that their top executives would forgo cash compensation when a large number of workers were laid off were AMR Corp., Delta, Continental and Southwest Airlines. In addition to the above, companies adopted many strategies to deal with the criticisms they were facing because of downsizing.

1.3.8. Tackling the evils of downsizing:

During the early 21st century, many companies began offering flexible work arrangements to their employees in an attempt to avoid the negative impact of downsizing. Such an arrangement was reported to be beneficial for both employees as well as the organization. A flexible working arrangement resulted in increased morale and productivity; decreased absenteeism and employee turnover; reduced stress on employees; increased ability to recruit and retain superior quality employees; improved service to clients in various time zones; and better use of office equipment and space. This type of arrangement also gave more time to pursue their education, hobbies, and professional development, and handle personal responsibilities.
The concept of contingent employment also became highly popular and the number of organizations adopting this concept increased substantially during the early 21st century. According to the Bureau of labor statistics (BLS), US, contingent employees were those who had no explicit or implicit contract and expected their jobs to last no more than one year. They were hired directly by the company or through an external agency on a contract basis for a specific work for a limited period of time. Companies did not have to pay unemployment taxes, retirement or health benefits for contingent employees. Though these employees appeared on the payroll, they were not covered by the employee handbook (which includes the rights and duties of employers and employees and employment rules and regulations). In many cases, the salaries paid to them were less than those given to regular employees performing similar jobs. Thus, these employees offered flexibility without long term commitments and enabled organizations to downsize them, when not required, without much difficulty or guilt. Analysts commented that in many cases HR managers opted for contingent employees as they offered the least resistance when downsized. However, analysts also commented that while
contingent employment had its advantages, it posed many problems in the long-run. In the initial years, when contingent employment was introduced, such employees were asked to perform non-critical jobs that had no relation to an organization's core business. But during the early 2000s, contingent employees were employed in core areas of organization. This resulted in increased costs, as they had to be framed for the job. Not only was training time consuming, its costs were recurring in nature as contingent employees stayed only for their specified contract period and were soon replaced by a new batch of contingent employees. Productivity suffered considerably during the period when contingent employees were being trained. The fact that such employees were not very loyal to the organization also led to many problems.

1.3.9. Lessons from the ‘downsizing best practices’ companies

In the late 1990s, the US Government conducted a study on the downsizing practices of firms (including major companies in the country). The study provided many interesting insights into the practice and the associated problems. It was found that the formulation and communication of proper planning and
downsizing strategy, the support of senior leaders, incentive and compensation planning and effective monitoring systems were the key factors for successful downsizing.

In many organizations where downsizing was successfully implemented and yielded positive results, it was found that senior leaders had been actively involved in the downsizing process. Though the downsizing methods used varied from organization to organization, the active involvement of senior employees helped achieve downsizing goals and objectives with little loss in quality or quantity of service. The presence and accessibility of senior leaders had a positive impact on employee’s - those who were downsized as well as survivors. According to a best practice company source, “Manager at all levels need to be held accountable for-and need to be committed to-managing their surplus employees in a humane, objective, and appropriate manner. While HR is perceived to have provided outstanding service, it is the manager’s behavior that will have the most impact.” In many companies, consistent and committed leadership helped employees overcome organizational change caused by downsizing.
1.3.10. HR managers in these companies participated actively in the overall downsizing exercise. They developed an employee plan for downsizing, which covered issues such as attrition management and workforce distribution in the organization. The plan also includes the identification of skills needed by employees to take new responsibilities and the development of training and re-skilling programs for employees. Since it may be necessary to acquire other skills in the future, the plan also addressed the issue of recruitment planning.

1.3.11. Communication was found to be a primary success factor of effective downsizing programs. According to a survey conducted in major US companies, 79% of the respondents revealed that they mostly used letters and memoranda from senior managers to communicate information regarding restructuring or downsizing to employees. However, only 29% of the respondents agreed that this type of communication was effective. The survey report suggested that face to face communication (such as briefings by managers and small group meetings) was a more appropriate technique for dealing with a subject as traumatic (to employees) as downsizing. According to best practice companies, employees expected senior
leaders to communicate openly and honestly about the circumstances the company was facing (which led to downsizing). These companies also achieved a proper balance between formal and informal forms of communication. A few common methods of communication adopted by these companies included small meetings, face to face interaction, one to one discussion, breakfast gatherings, all staff meetings, video conferencing and informal employee dialog sessions. use of newsletters, videos, telephone hotlines, fax, memoranda, e-mail and bulletin boards; and brochures and guides to educate employees about the downsizing process, employees rights and tips for surviving situation.

1.3.12. Many organizations encouraged employees to voice their ideas, concerns or suggestions regarding the downsizing process. According to many best practice organizations employee inputs contributed considerably to the success of their downsizing activities as they frequently gave valuable ideas regarding the restructuring, increase in production and assistance required by employees during downsizing.

Advanced planning for downsizing also contributed to the success of downsizing exercise. Many successful organizations planned in
advance for the downsizing exercise, clearly defining every aspect of the process. Best practice companies involved employee union representatives in planning. These companies felt it was necessary to involve labor representatives in the planning process to prevent and resolve conflicts during downsizing.

1.3.13. According to a survey report, information that was not required by companies for their normal day-to-day operations, became critical when downsizing. This information had to be acquired from internal as well as external sources (the HR department was responsible for providing it). From external sources, downsizing companies needed to gather information regarding successful downsizing process of other organizations and various opportunities available.

13.14. For employees outside the organization, and from internal sources, such companies need to gather demographic data (such as rank, pay, grade, years of service, age, gender, and retirement eligibility) on the entire workforce. In addition, they required information regarding the number of employees that were normally expected to resign or be terminated, the number of employees
eligible for early retirement, and the impact of downsizing on women, minorities, disabled employees and old employees.

1.3.15. The best practice organizations gathered information useful for effective downsizing from all possible sources. Some organizations developed an inventory of employee skills to help management take informed decisions during downsizing, restructuring or staffing. Many best practice organizations developed HR information systems that saved management's time during downsizing or major restructuring by giving ready access to employee information.

The major steps in the downsizing process included adopting an appropriate method of downsizing, training managers about their role in downsizing, offering career transition assistance to downsized employees, and providing support to survivors. The various techniques of downsizing adopted by organizations included attrition, voluntary retirement, leave without pay or involuntary separation (lay-off). According to many organizations, a successful downsizing process required the simultaneous use of different downsizing techniques. Many
companies offered assistance to downsized employees and survivors, to help them cope with their situation.

1.3.16. Some techniques considered by organizations in lieu of downsizing included overtime restrictions, union contract changes, cut in pay, furloughs, shortened workweeks, and job sharing. All these approaches were a part of the ‘shared pain’ approach of employees, who preferred to share the pain of their co-workers rather than see them being laid off. Training equips managers to help them play their role effectively in the downsizing process this mainly included formal class room training and written guidance (on issues that managers were expected to deal with, when downsizing). the primary focus of these training sessions was on dealing with violence in the workplace during downsizing.

1.3.17. According to best practices companies, periodic review of the implementation process and immediate identification and rectification of any deviation from the plan minimized the adverse effects of the downsizing process. In some organizations, the progress was reviewed quarterly and was published in order to help every manager monitor reductions by different categories like department, occupational group (clerical, administrative,
secretarial, general, labor), reason (early retirement, leave without pay, attrition), employment equity group (women, minorities, disabled class) and region. Senior leaders were provided with key indicators (such as the effect of downsizing on the organizational culture) for their respective divisions. Some organizations tracked the progress and achievement of every division separately and emphasized the application of a different strategy for every department as reaction of employees to downsizing varied considerably from department to department.

Though the above measures helped minimize the negative effects of downsizing, industry observers acknowledged the fact that the emotional trauma of the concerned people could never be eliminated. The least the companies could do was to downsize in a manner that did not injure the dignity of the discharged employees or lower the moral of the survivors.