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Downsizing by stealth: How not to lay off staff

Mass redundancies kicked up a gear this year as profits have been squeezed. But not all employers have been upfront about the cuts and some have done it better than others.

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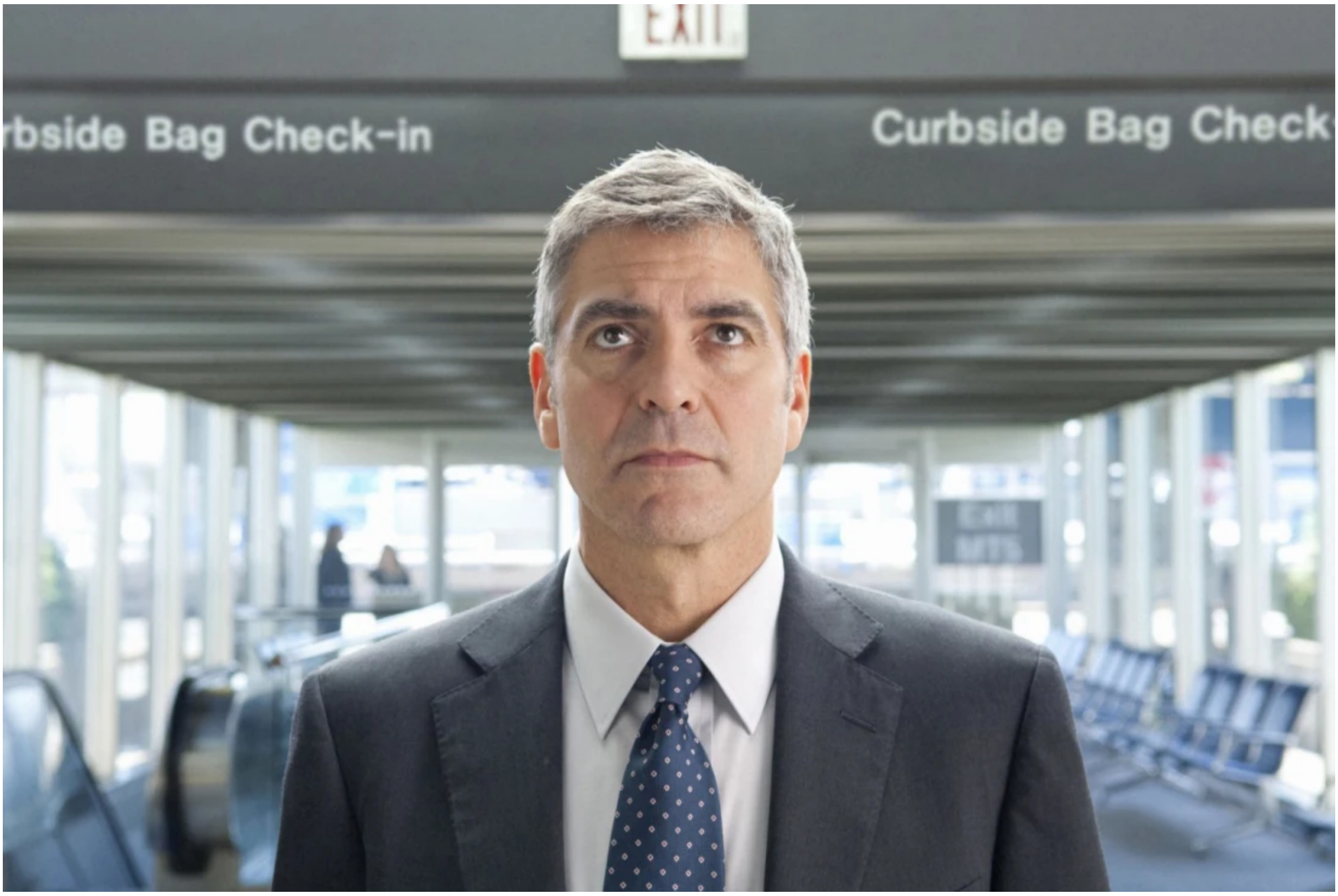
Almost 23,000 Australians are estimated to have been laid off in reported redundancy rounds this year, as companies respond to rising interest rates and stubbornly high inflation [https://www.afr.com/topic/interest-rates-5yo].

Department of Employment figures provided to BOSS show that 331 companies have reported plans to make 22,812 positions redundant this year, despite the unemployment rate hovering at near-record lows. And the total number of actual redundancies has been much higher, as employers are only required to notify Services Australia when they plan to make 15 or more staff redundant.

KPMG Australia announced 200 job cuts in February [https://www.afr.com/companies/professional-services/kpmg-to-cut-about-200-australian-staff-amid-consulting-work-slowdown-20230216-p5cl0j], Australia Post flagged 400 job cuts in April [https://www.afr.com/policy/economy/australia-post-risks-death-spiral-without-urgent-change-ceo-20230427-p5d3nh], Star Entertainment laid off 500 staff in May, Telstra cut 472 positions two months later, and the big four banks have cut more than 2000 jobs between them.

Australian tech workers have also been caught up in a flood of lay-offs [https://www.afr.com/technology/aussie-tech-workers-brush-off-brutal-sackings-as-new-jobs-abound-20230209-p5cjd4]. Other companies to lay off staff this year include: Accenture, Amazon, Atlassian, Bunnings, Crown, Fortescue Metal, Goldman Sachs, IBM, Lendlease, LinkedIn, Meta, McKinsey, Microsoft, NBN Co, PwC, Twitter and Xero.



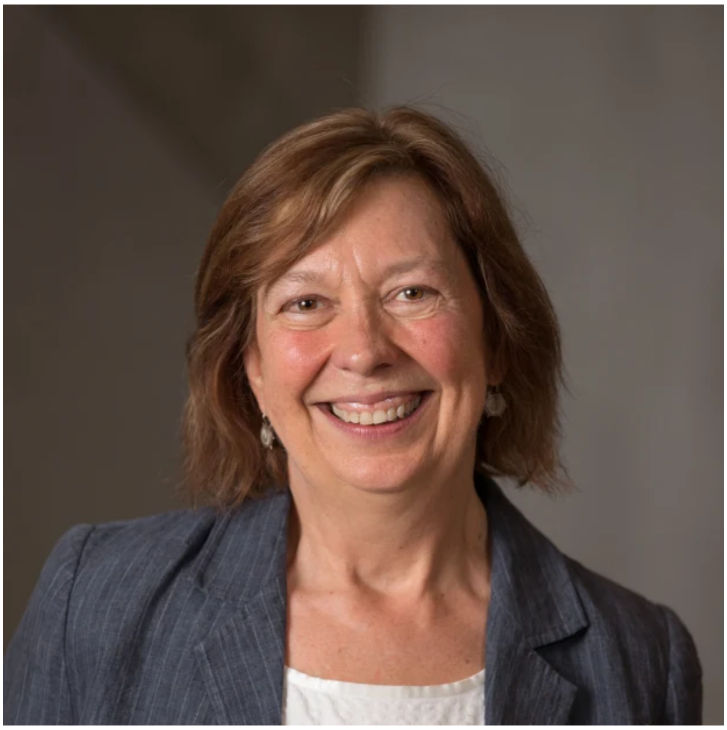
Cold-blooded Ryan Bingham, played by George Clooney in the 2009 movie Up in the Air, fired people for a job. Even he warned about firing people over the internet.

Under the radar

And then, of course, there are the companies that have kept their redundancies secret – an approach that human resources experts warn can backfire.

Aaron McEwan, vice president of research and advisory at consultancy Gartner, says these employers are keeping their layoffs under wraps to protect employee morale and avoid spooking potential recruits.

“But it’s a dangerous thing for organisations to engage in because they really can’t hide this stuff,” McEwan tells *BOSS*.
McEwan reckons companies may as well be upfront about it. That way, they can explain their reasons and shut down the rumour mill. Otherwise, people may think the company is in more trouble than it really is and worry they’re next on the chopping block.



University of South Australia professor Carol Kulik says companies should be as transparent as possible about their job cuts to minimise the emotional toll on employees.

Layoffs disguised as office mandates

McEwan says companies have also been encouraging voluntary exits by issuing return-to-office mandates. This allows them to reduce the size of their business without having to hand out severance packages.

"It's just a way of saying, 'Well, we didn't get rid of you, you chose to leave because of our position on working in the office'," McEwan says.

It's an approach that US telco giant AT&T was recently accused of using.

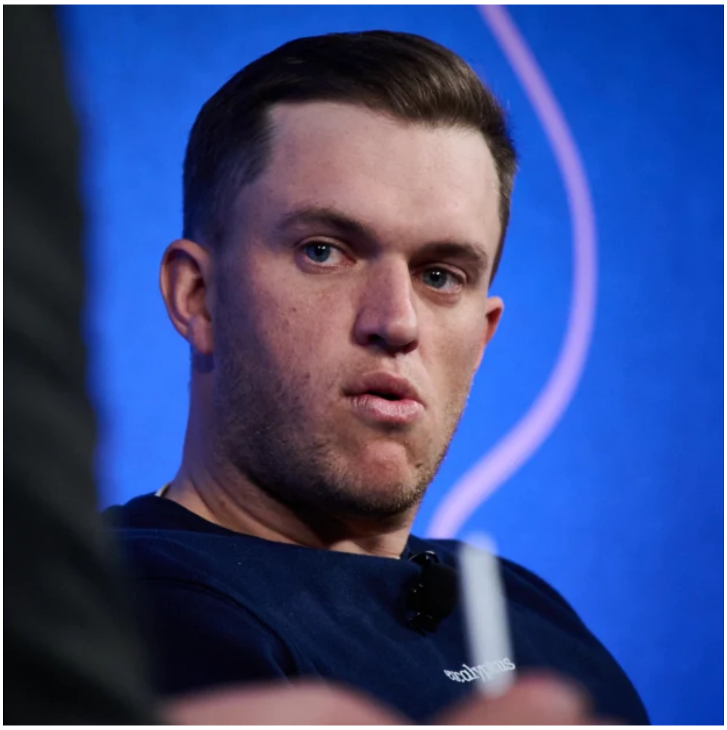
Chief executive John Stankey told more than 60,000 managers in May, they would have to report to one of just nine office locations across the country from July, meaning an estimated 9000 workers living outside the commuting distance of these locations had to either relocate or resign.

"It's a lay-off wolf in return-to-office sheep's clothing," one AT&T manager told Bloomberg in June.

Other companies have achieved the same ends by leaning heavily on performance management – something that Sydney-based start-up Eucalyptus, which sells the weight loss drug Ozempic online, was accused of recently.

Eucalyptus laid off about 20 per cent of its workforce in a mass redundancy round last year. But sources familiar with the matter told *The Australian Financial Review* in September the company had continued to push people out the door under a guise of poor performance, after dialling up its standards to trigger employee departures [https://www.afr.com/technology/ozempic-selling-start-up-eucalyptus-does-silent-dismissals-20230927-p5e807].

"There's no commitment to actually seeing someone improve," one source said at the time. "[The message is]: there's one small thing we've found, thanks, goodbye, you're out."



Eucalyptus chief executive Tim Doyle has overseen an expansion overseas while some Australian employees are managed out. **Michael Quelch**

Only ten people have been shown the door this way, the company claims. But Eucalyptus CEO Tim Doyle has defended the company's human resources practices. He says the company has increased its global headcount by nearly 60 per cent in the past year and performance reviews are critical to ensuring its teams are "consistently striving to achieve their highest potential".

Transparency is key

Human resources experts say employers should be as open and transparent as possible about any job cuts. Not just because it's the right thing to do, but because potential recruits and employees who survive the cuts will be closely monitoring how the company handles the redundancies.

Carol Kulik, a Bradley Distinguished Professor at the University of South Australia and co-author of the book *Human Resources for the Non-HR Manager*, says companies should give staff as much notice as possible, so they have more time to find a replacement job.

She says they should consider running workshops or connecting employees to external support to help them with their job hunts as many would not have looked for a job in a long time.

"It's also really important to have a very clear framing for why these actions are being taken," Kulik says.

"Is it because you're giving up a particular product line in order to focus on other products? Is it because of a major change in the manufacturing process?

”Those are the kinds of things that have to be communicated pretty publicly to employees, so they’re able to say, ‘Oh, well, that makes sense, that this employee is going and that one isn’t.’ Or: ‘I can see that I still have a future in this company because I very much fit with the set of skills that they say they [still need]’.”

Another thorny post-pandemic issue has been the use of email and Zoom to cull staff. Meta and Salesforce, for example, were lambasted as “brutal” [https://www.afr.com/chanticleer/brutal-sacking-tactics-used-by-salesforce-and-facebook-20230201-p5ch32] earlier this year for using email to notify affected staff of their redundancies. Even profession downsizer Ryan Bingham (played by George Clooney in the movie *Up in the Air*) realised sacking staff over the internet was wrong.

To Zoom or not to Zoom

But Kulik was less critical, saying it made sense for employers to use Zoom in the post-COVID era when workers have become more accustomed to the technology and making sure “everyone gets the message at the same time”.

“I would always recommend face-to-face when you can,” Kulik says. “But I think we have to recognise that some organisations have so clearly built a virtual culture ... that you may not want to say ‘never [announce layoffs on Zoom]’.”

Kulik adds, however, companies that announce redundancies on Zoom should follow these calls with one-on-one meetings and an opportunity for staff to discuss their individual circumstances.

UNSW Business School associate professor Will Felps says it’s also better to lay people off sooner rather than later when the writing’s on the wall. Otherwise, companies that are heading in the wrong direction will dig a bigger hole for themselves and only have to lay off more people down the track.

“In other words, before you have to lay off 20 per cent of your workforce, lay off 5 per cent of your workforce,” he says.

Felps also recommends employers allow staff to keep hold of their company laptops and mobile phones, once they’ve been cleared of all company data, as the potential benefit to staff is greater than the value of recovering these assets to companies.

And Felps says employers shouldn’t waste a crisis, either.

He tells *BOSS* research shows that lay-offs tend to deliver better results when a company simultaneously restructures their workforce, rather than just cutting a given percentage of roles across the entire business.

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Correction — *A previous version of this article stated that 22,812 workers across 331 companies had been laid off in mass redundancy rounds reported to Services Australia this year. In fact, 331 companies have reported plans to make 22,812 positions redundant. The article was also edited to clarify that these figures only refer to redundancies reported to Services Australia; the total number of actual redundancies in Australia has been much higher.*

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