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Globalization and Downsizing in India

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Abstract

The post slow down effect, that came after the subprime crisis and going down of the big ticket finance companies like Lehman, Fannie Mae and Freddie Mac had a huge ripple effect all around the globe. This global meltdown is now being considered as the biggest meltdown after "The Great Depression" that began in 1929. This is certainly the gravest and biggest one as it directly impacted many more economies and people (directly and indirectly) than any economic crisis ever did in the human history. Downsizing is currently one of the most popular strategies being used by organizations in an effort to survive and compete in the current business scenario. After reviewing many literatures, we find that there is a need to study the various aspects of downsizing such as why downsizing, reasons of downsizing, downsizing in India, downsizing in today's corporate, effect of downsizing on employees, strategies of downsizing, difference between downsizing and rightsizing and government actions taken for laborers and employees during downsizing. Suggestions for future research in this area, especially in the Indian context, have been identified with a view for adding to the existing body of knowledge and also facilitate greater understanding on the part of practitioners in handling a downsizing exercise.

Keywords: *The Great Depression, Downsizing etc.*

Introduction

The liberalization policy, declared in 1991 by the Government of India, exposed the Indian companies to global competitive pressures and opportunities. Traditionally Indian companies had enjoyed monopolistic or oligopolistic market. The government controlled most of the issues relating to business environment in the economy. Liberalization made it almost mandatory to acquire latest technology and new techniques that could significantly reduce the cost of products and shift the technology has been from labour intensive to capital intensive.

The thrust to enhance the productivity has been high in all these efforts. As a consequence, companies had to find ways to rationalize their manpower to improve productivity and cut their costs quickly. Managers frequently found no options but to reduce the unsuitable and surplus manpower though it had been an emotionally painful process for managers and employees both. Moreover **Singh (1995)** reveals that government is yet to announce an official Exit Policy. Government supported exit policy of manpower reduction by 'golden handshakes' which were quite successful in government as well as private sectors.

Further, manpower reduction in the Indian context also carries many social implications. In a country characterized by one of the highest unemployment rate in the world, employment is also a status symbol in the society. Union leaders also appear to have accepted the ground realities of VRS. Further, the government has also supported VRS by exempting income tax on the money, received as VRS compensation up to Rs. 0.5 million. The schemes envisage that unproductive employees would leave the organization voluntarily if compensated adequately for job loss. The success of VRS depends on its ability to attract larger number of targeted employees to accept the scheme at the least cost to the organization. However, such manpower reduction also carries implication for the retained manpower **(Zamutto and Cameron, 1985**). The management of these retained employees influences the performance of organizations.

During the period 1991-95, 53.29 percent workers were laid off owing to power shortage, followed by shortage of raw materials (16.44%). The number of worker laid off increased from 58.067 in 1994 to 61.989 during 1995 **(Indian labour journal, 1188-89, 1996).**

Despite the calumnies heaped on labor, it has not yet been a critical obstacle to privatization, in part because sales of the large SOE employers—banks, coal mines, state electricity boards (SEBs) and Mahanagar Telephone Nigar Ltd. (MTNL)—have not yet been on the cards. BALCO was the big battle on this front and in the end labor regretted its decision to oppose privatization. Recourse to voluntary retirement schemes (VRS) helped reduce labor redundancies both before and after privatization in a politically acceptable manner. Other incentives, such as granting a fraction of shares to employees at a discounted price, also helped. However, as demonstrated by the unhappy experience in the Grid Corporation of Orissa (GRIDCO), the privatized Orissa power distribution company, the interests of organized labor are more heterogeneous than is often realized. The sheer magnitude of rents in State Electricity Boards (SEBs) vastly exceeds any payments that can realistically be offered under a VRS. The fact that such rents are much lower or absent in manufacturing makes their privatization easier. Ongoing reforms in the electricity sector will gradually lower these rents, and only then can one expect significant movement (**Devesh Kapur and Ravi Ramamurti, 2005)**

The increased competition resulting from industry deregulation - and, in the case of tradable goods, import competition - can force internal reforms in state-owned enterprises, thereby yielding some of the benefits of privatization. Competition puts pressure on SOEs to lower costs, which, in turn, reinforces to downsize the SOE workforce. In India, labor union support for the downsizing seems to have been obtained by making the schemes voluntary, and applicable largely to employees close to retirement. Workers were not fired, and compensation package for early retirees was generous, as in other countries adopting this policy. Employees opting for the scheme received up to three years salary, based on length of service. Voluntary retirement schemes (VRS) gradually spread to SOEs in nearly all sectors and have become an important instrument for all large organized sector employees, in both public and private sector enterprises.

Definition of Downsizing

Freeman and Cameron's (1993) defines **downsizing** as 'intended reduction in personnel'.

Downsizing has been defined as an indefinite separation from the payroll due to factors beyond the control of the individual.

Downsizing in Today's Corporate

In general terms, downsizing refers to cutting down of employees in an organisation. It is a crucial step taken by the organisation, when it sees that costs of organisation is going overboard due to excess number of employees in the organisation. Downsizing may prove beneficial in an organisational front but it poses as a major threat in case of employees working in a firm. Downsizing may be due to internal or external changes in an organisation.

Some of the firms where Downsizing plans are going to be implemented are:

Larry Ellison led Oracle Corporation plans to maximise profit after its $5.85 Billion acquisition of Siebel System. The company would announce more than 1000 job cuts as Siebel is integrated with it Volkswagen Germany based & Europe's largest carmaker decided to cut 20,000 jobs. After realising that Volkswagen costs are 40% higher than those of competitors in July-05 so company plans to cut 7 Billion Euros in expenses by –08 and introduce as many as 10 new models so company plans to downsize their employee number by 20,000 Nationalised Banks together have cut as many as 10,000 jobs. SAIL as trimmed its workforce by cutting 19,600 jobs 25% of the jobs at HUNDAYI Electronic to be cut FIAT INDIA has plans to cut workforce by 20%. P&G plans to reduce their employee by 9600 jobs. Nearly 7000 employees at MOTOROLA will lose their jobs. In many cases, Downsizing becomes inevitable. There was an article "Downsizing with dignity" written by Ann E Feyerherm, which provides guideline based on the first hand experience of a manager involved in Downsizing effort in a company in South California. Since, the axe had to fall, the best approach adopted was to Downsizing with dignity & to ensure that those who were let to go were equipped with new skills to enhance their career prospects. **Gayathri (2006)**

Downsizing in India

Reliance is the most well known company doing this but it isn't the only one. The other Indian giant **Infosys** along with many other similar competing companies has also downsized booting out cautiously all those deemed *'not needed'* for the current period. Infosys' BPO arm in its call centre operations has downsized and reduced new hiring. The story is the same across all outsourcing firms. Even the prime developmental territory of Yahoo in India has seen massive layoffs showing that across every sector companies irrespective of the type of business they're in are being affected. In the auto industry, workers have lost their jobs and the remaining perilously hold on. Real Estate developers like Unitech, DLF and Parsvnath Developers have put existing projects on hold. The result has been the loss in jobs for many management and executives while for workers it's a loss in wages and a livelihood. Companies in India after the Jet Airways fiasco are treading carefully and have taken measures to make sure that information regarding layoffs is contained within the upper tiers of the company and the HR department. It's when the media starts to poke around that companies have to start publicly denying layoffs and downsizing like POSCO and Reliance are doing in a bid to protect them despite the fact that they're secretly doing it (**Rao, 2008).**

Trends in Downsizing

As a major trend among U.S. businesses, downsizing began in the 1980s and continued through the 1990s largely unabated and even growing. During this time, many of the country's largest corporations participated in the trend, including General Motors, AT&T, Delta Airlines, Eastman Kodak, IBM, and Sears, Rebook Company etc. In the twenty-first century, downsizing continued after a sharp decline in the stock market early in the century and followed by continued pressure on corporate earnings in the aftermath of the September 11, 2002, terrorist attacks. Downsizing affects most sectors of the labor market, including retail, industrial, managerial, and office jobs, impacting workers in a wide range of income levels.

While layoffs are a customary measure for companies to help compensate for the effects of recessions, downsizing also occurs during periods of economic prosperity, even when companies themselves are doing well. Consequently, downsizing is a controversial corporate practice that receives support and even praise from executives, shareholders, and some economists, and criticism from employees, unions, and community activists. Reports of executive salaries growing in the face of downsizing and stagnant wages for retained employees only fan the flames of this criticism. In contrast, announcements of downsizing are well received in the stock markets.

However, economists remain optimistic about downsizing and the effects of downsizing on the economy when the rate of overall job growth outpaces the rate of job elimination. A trend toward outsourcing jobs overseas to countries with lower labor costs is a form of downsizing that affects some U.S. employees. These jobs are not actually eliminated, but instead moved out of reach of the employees who lose their jobs to outsourcing. Some economists, however, suggest that the overall net effect of such outsourced jobs will actually be an increase in U.S. jobs as resulting corporate operating efficiencies allow for more employment of higher-tier (and thus higher-wage) positions. Regardless of whether downsizing is good or bad for the national economy, companies continue to downsize and the trend shows few signs of slowing down.

Growth of Downsizing

The corporate downsizing trend grew out of the economic conditions of the late 1970s, when direct international competition began to increase. The major industries affected by this stiffer competition included the automotive, electronics, machine tool, and steel industries. In contrast to their major competitors—Japanese manufacturers—U.S. companies had significantly higher costs. For example, U.S. automobile manufacturers had approximately a $1,000 cost disadvantage for their cars compared to similar classes of Japanese cars. Only a small percentage of this cost difference could be attributed to labor costs, however, but labor costs were among the first to be cut despite other costs associated with the general structure of the auto companies and their oversupply of middle managers and engineers. Auto workers were among the first to be laid off during the initial wave of downsizing. Other U.S. manufacturing industries faced similar competitive problems during this period, as did some U.S. technology industries. Companies in these industries, like those in the auto industry, suffered from higher per-unit costs and greater overhead than their Japanese counterparts due to lower labor productivity and a glut of white-collar workers in many U.S. companies. To remedy these problems, U.S. companies implemented a couple of key changes: they formed partnerships with Japanese companies to learn the methods behind their cost efficiencies and they strove to reduce costs and expedite decision-making by getting rid of unnecessary layers of bureaucracy and management. Nevertheless, some companies began simply to cut their workforce without determining whether or not it was necessary and without any kind of accompanying strategy. In essence, they downsized because they lacked new products that would have stimulated growth and because their existing product markets were decreasing.

Reasons of Downsizing

1) One of the reasons for the companies to downsize their manpower may be seen as the **intense competition** that cuts into the company's revenues. Lower revenues lead efforts quickly to cut down the costs and some employees are laid off as a result. The Management of a company adopts downsizing strategy when less work is done by more number of employees and the potential of employees is not utilized to the full extent.

2) The reason that lead to downsizing are the **developments in the technology**, automation and outsourcing one or more processes in an organization. The technological change has been a catalyst to an expanded view of work in many companies. Technological advances have allowed for the expansion of many jobs by combining multiple functions into a single operation. Workers are presented with a broadened scope of activities that challenge their skills. The employees who are ready to adapt to the changes in the environment and as a result, in the organization culture and who moulds themselves according to the environmental requirements should be retained. As the technology advances, the skills of the employees become obsolete. Skill obsolescence can be eliminated or at least minimized so that experienced employees are retained.

3) Automation or the **replacement of man by machine** also is one of the major reasons behind downsizing. The work done by a group of people, say 5 or 6 workers is done by a machine, which can be operated by a single person. Thus, this has initiated the need to reduce the number of employees in the organization. Companies have opted for downsizing its manpower following the computerization and automation of several operations.

4) Outsourcing a department or a particular process is another reason that forces companies to conduct layoffs in an effort to downsize its human resources. In an organization where an entire department or a particular process is outsourced by an agency, the employees who belong to that particular department or those who are involved in the operations of that particular process are laid off. Consider that an organization has offered its recruitment and selection to an outsourcing agency; the employees involved in it are to be laid off.

5) Another reason is the **strategic alliance** of two or more companies. The joint venture necessitates the downsizing of the manpower in the companies involved in the venture. The term downsizing was coined to describe the action of dismissing a large portion of a firm's workforce in a very short period of time, particularly when the firm was highly profitable. In a standard downsizing story, a profitable firm well poised for growth would announce that it was firing a large percentage of its workforce. The equity market would get excited and initiate a buying frenzy of the firm's stock. This goes counter to a standard micro-economic analysis, in which weak firm anticipate a slump in the demand for its products, and lays off workers, while strong firm foresees a jump in the demand for its products, and hires more workers to increase production.

Investors care about downsizing, since it contains severe implications for the short-term profitability and even the long-term growth of a company. Downsizing is quite unlike a traditional layoff- in a layoff, a worker is asked to leave temporarily during periods of weak demand. In downsizing, the separation between a worker and a firm is permanent. Downsizing is not a dismissal for individual incompetence but rather a decision on the part of the Management to reduce the overall workforce.

6) The other reasons being intended to **improve profitability** eliminates obsolete functions and reduce the overstaffed areas of an organization. As the organizations move towards more strategic workforce management, downsizing will remain part of the work force landscape, but the catalyst for it will change. Downsizing began as the strategy of sick companies shedding workers in the face of weak demand, but soon strong firms looking to boost shareholder value also adopted the policy. Downsizing can be used as a strategic option that Management can exercise in order to boost the equity value. It can be perceived as a planned change involving the elimination of the positions, operations or jobs. To quote an example, the position of secretaries to executives in the organizations has been replaced by the computers thereby reducing the number of employees which leads to reduction in the labor costs.

Major Techniques of Adopting Downsizing Strategy

1) Layoff
2) Retrenchment
3) Closure
4) Voluntary retirement

Layoff is a temporary measure to reduce the workforce in case the organization faces problems like shortage of fuel or power, accumulation of raw material and finished stock due to recession, shortage of working capital, breakdown of machinery or natural calamity. Layoffs were declared illegal by the Labour Department. Hindustan Motors, one of the key players in the automobiles, in the recent past entered into a legal course against the order of refusal of permission of layoffs. Another US-based company Texas Instruments adopted a different strategy to cope up with a recession. It terminated the jobs of thousands of employees and had to rehire, retrain and motivate the employees when things improved.

Under the **Industrial Dispute Act, 1947**, an organization can retrench employees for any reason other than termination of employment due to disciplinary action. The employees can prune the workforce using this method and pay them the retrenchment compensation as stipulated in the Act. Retrenchment should be often based on the Last In First Out (LIFO) principle wherein junior-most employees would be retrenched, even if they were competent. Retrenchment involves a tricky and complex process for identifying the non-performers, who are required to be separated from the organization permanently.

A thorough **performance appraisal** is to be carried out in order to identify the non-performers and remove them thereby enhancing the profitability as well as productivity. Performance appraisal system should be well designed so as to identify the most efficient employees so that they can be retained while conducting the layoffs. Companies must be aware that even their short-term problems may not be solved by downsizing because of the loss of skills resulting from the departure of the experienced employees who were offered Early Retirement Schemes and VRS.

An employer can **close down the whole or part of a unit** if the circumstances that lead to closure are beyond the control of the employer. In the case of closure on account of unavoidable circumstances beyond the control of employer, the maximum compensation payable to a worker is his three months salary.

Companies have been downsizing through the process of a compensation package based on **Voluntary Retirement Scheme** or VRS. VRS is viewed as one of the methods for the turnaround of the company when business cycle is on a declining curve. In many large sized organizations, there is no more lifetime employment. The symptoms of such decline in the business cycle are seen in gradual decline in profits, reduction of market shares, loss of monopoly, fast emergence of new technology and the like. When these symptoms are round the corner, Management must initiate action thorough strategic planning.

Effects of Downsizing

The positive effects of downsizing as lower overhead, less bureaucracy, faster decision making, better communications, increase in productivity/Competency, job enrichment, increase in stock prices. The negative effects found on employees are adverse psychological effects – anxiety, mental tension, stress, depression, breakup of social as well as personal life, social stigma of loosing a job, breaking of psychological contract with the organization, difficulty in getting another job etc. For organizations the negative effects can be loss of goodwill, low rating of company, loss of trust among employees, unhealthy environment in the company, loss of productivity, failing to retain talent, failing to attract good candidates etc.

Distinction between Downsizing and Rightsizing

This was a source of much anxiety to the employees of companies. Many times the companies would use the term 'downsizing' in front of employees. Downsizing became synonymous with reduction in work force. Whereas in Rightsizing to alleviate some of the anxiety caused by downsizing, the companies put its thinking cap on and developed a new concept called rightsizing. Many times, while performing an on-premises evaluation, the companies found that the numbers of support personnel were at the same levels as they were when the total company population used to be much higher. To make a logical manpower recommendation to a management committee, companies started to use 'rightsizing' as the term that best described the proposed reduction in support personnel headcount. This concept is gaining increasing acceptance among facility managerial. The benefit of outsourcing, out-tasking, and rightsizing is allowing an enterprise to do what it does best or to return to its core competency.

Downsizing is opted by most of the organisations in an effort to right size their human resources. Downsizing literally means to reduce the size of the organization by cutting it’s down the number of employees presently working in the company. Downsizing strategies enable a company to right size its manpower. The unproductive workers should be eliminated while retaining the most effective personnel, thereby optimizing the performance of the workforce.

Opportunity to Downsize (Rao, 2009)

This is also an opportunity for companies like Reliance to downsize. It is certainly not an urgent requirement. If it had been so, they would have started with pay cuts and gone with appraisal process. Instead, RIL job cuts have been an area where personal scores have been fixed and even the best of the staff have been shown the door in name of downsizing. The whole exercise has been remotely controlled and has been as unplanned as their ventures they had been entering into. Sources are very vocal about the fact that there has been groups who have been well protected even though they have foul mouthed heads and who do not think twice before hurling abuses to their staff. This recession has broken a lot of myths of Reliance and their employee focus. When good times return, they will certainly have a lot of hard work to do to retain their staff

Critism of Downsizing

According to a report of the International Labour Organisation (ILO) “2 crore people shall lose jobs in the world. Employers attempt to take full advantage of the situation to force their agenda and enforcing wage cuts, lay off and retrenchment in various sectors, when the workers are adversely affected by unprecedented inflation and price rise.”

While companies frequently implement downsizing plans to increase profitability and productivity, downsizing does not always yield these results. Although critics of downsizing do not rule out the benefits in all cases, they contend that downsizing is over-applied and often used as a quick fix without sufficient planning to bring about long-term benefits. Moreover, downsizing can lead to additional problems, such as poor customer service, low employee morale, and bad employee attitudes. Laying workers off to improve competitiveness often fails to produce the intended results because downsizing can lead to the following unforeseen problems and difficulties: The loss of highly-skilled and reliable workers and the added expense of finding new workers an increase in overtime wages. A decline in customer service because workers feel they lack job security after layoffs. Employee attitudes that may change for the worse, possibly leading to tardiness, absenteeism, and reduced productivity. An increase in the number of lawsuits and disability claims, which tends to occur after downsizing episodes. Restructuring programs sometimes take years to bear fruit because of ensuing employee confusion and the amount of time it takes for employees to adjust to their new roles and responsibilities. Some studies have indicated that the economic advantages of downsizing have failed to come about in many cases, and that downsizing may have had a negative impact on company competitiveness and profitability in some cases.

Downsizing has repercussions that extend beyond the companies and their employees. For example, governments must sometimes enact programs to help displaced workers obtain training and receive job placement assistance. Labor groups have reacted to the frequency and magnitude of downsizing, and unions have taken tougher stances in negotiations because of it. Instead of laying employees off, critics recommend that companies eliminate jobs only as a last resort; not as a quick fix when profits fail to meet quarterly projections. Suggested alternatives to downsizing include early retirement packages and voluntary severance programs. Furthermore, some analysts suggest that companies can improve their efficiency, productivity, and competitiveness through quality initiatives such as Six Sigma, empowering employees through progressive human resource strategies that encourage employee loyalty and stability, and other such techniques.

Support for Downsizing

Advocates of downsizing counter critics' claims by arguing that, through downsizing, the United States has maintained its position as one of the world's leading economies. Economists point out that despite the downsizing that has become commonplace since the 1970s, overall U.S. standards of living, productivity, and corporate investment have grown at a healthy pace. They reason that without downsizing, companies would not remain profitable and hence would go bankrupt when there is fierce competition and slow growth. Therefore, some executives and economists see downsizing as a necessary albeit painful task, and one that ultimately saves the larger number of jobs that would be lost if a company went out business. Advocates of downsizing also argue that job creation from technological advances offsets job declines from downsizing. Hence, displaced workers are able find new jobs relatively easily, especially if those workers have skills that enhance the technological competence of prospective employers. In other words, despite the admitted discomfort and difficulties that downsizing has on displaced workers, some workers are able to locate new jobs and companies are able to achieve greater efficiency, competitiveness, and profitability. Moreover, even though downsizing may not solve all of a company's competitive problems or bolster a company's profits indefinitely, downsizing can help reduce costs, which can lead to greater short-term profitability. In addition, advocates of downsizing contend that staff-reduction efforts help move workers from mature, moribund, and obsolete industries to emerging and growing industries, where they are needed. Economists argue that this process strengthens the economy and helps it grow. This process also enables companies with growing competitive advantages to maintain their positions in the market in the face of greater domestic and global competition, and it is the difficult but necessary result of the transition toward a global economy.

Downsizing and Actions of Management

Downsizing poses the immediate managerial problem of dismissing a large number of employees in a dignified manner in order to help minimize the trauma associated with downsizing. Employees who are laid off tend to suffer from depression, anxiety, insomnia, high blood pressure, marital discord, and a host of other problems. Thus, when companies decide that downsizing is the best course of action, managers should do so in a way that does the least harm to employees and their families. This includes taking the time to allow dismissed employees to air their thoughts, instead of laying them off quickly and impersonally, and providing assistance in finding new jobs.

Because of the possible negative effects that occur after downsizing, managers may have to implement measures to counteract employee apathy, improve customer service, and restore employee trust. Analysts of downsized companies argue that managers should take steps immediately after workforce reductions to provide the remaining workers with the support and guidance they need. This involves providing employee with clear indications of what is expected of them and how they can meet increased productivity goals. Managers should confer with employees regularly to discuss performance and strategies for meeting the goals. In addition, managers should encourage employee initiative and communication and provide employees with rewards for excellent work. By promoting employee initiative and even employee involvement in decision-making, managers can help restore employee trust and commitment and help increase employee motivation.

The aftermath of downsizing also places greater demands on managers to make do with less. In other words, managers must strive to maintain or increase productivity and quality levels despite having a smaller workforce. Since downsizing often brings about a flatter corporate structure, the flow of information and communication no longer requires the effort needed prior to restructuring. Therefore, reports used for communication between layers of the old corporate hierarchy, for example, can be eliminated. If redundant but nonessential work cannot be completely eliminated, it perhaps can be reduced. By studying particular tasks and determining their essential components, managers can get rid of unnecessary tasks and eliminate unnecessary jobs altogether.

Downsizing appears to be an ongoing practice for the foreseeable future. Top managers with responsibility for making downsizing decisions are in a difficult predicament. Failure to downsize may result in inefficiencies, while downsizing clearly has a number of potentially negative effects on individuals and communities. Finding the balance between these outcomes is the primary challenge facing these managers.

Labour Laws and Labour Unions

India’s labour laws have provided a small section of the upper class that are in the organised sector the security of lifetime employment and several work benefits, but the unorganised labour force unceasingly toils with no protection whatsoever. The trade unions did not indeed take up the issues of the unorganised labour. With globalisation and privatisation, trade unions have weakened. They are in no position to articulate the interests of the workers since they represent only the small percentage of the organized labour. The three main trade unions are associated with three major political parties – the Congress, CPI (M) and the BJP. They provide the required human power to protect the vested interests of the parties, but without any responsibilities towards the workers in the unorganized sector. With the onslaught of globalisation, the mainstream philosophy of the market was adopted by all the parties. The Indian state promoted the rule of the corporates, each state trying to outsmart the other in attracting foreign investments and supporting the corporations against any attacks from the organised trade unions. Some unions were co-opted, while others were threatened and intimidated. The state was indeed keener to appease and support the capitalists. **By now, the unions are left with hardly any strength to resist the pauperisation of labour**. They are to be blamed too for the present situation. It is a tragedy that the unions have refused to organise and represent the unorganised workers, who have constituted the majority of the working class in India for decades. If they had organised the working class and fought as a united body, the unions would have been in a better position to battle for their rights in the present environment of total hostility to any organised efforts to get the grievances of the workers redressed.

The Sponsoring Committee of Trade Unions comprising major central trade unions -- AICCTU, AITUC, HMS, CITU, UTUC, UTUC-LS, TUCC, and All India Federations has jointly issued the following statement: (**INN, 2007)**

The Sponsoring Committee of Trade Unions comprising major central trade unions in the country along with all India federations of employees of central government and state government offices, banks, insurance, railways, defence production, telecom and various other independent unions across all the sectors of the economy, in its meetings held at New Delhi on 4th August and 19th August 2007 expressed grave concern over the disastrous fall out of the anti-worker and anti-people policies of the government at the centre on all sections of the toiling people. The Sponsoring Committee also strongly denounced the Government for not honouring its commitments made in its National Common Minimum Programme(NCMP) and pursuing an economic policy regime in gross violation of its commitments. The Sponsoring Committee extends full support to the decision for countrywide united strike action by the Central and State Government Employees' organizations on 30th October 2007 against the PFRDA Bill and other demands. The Sponsoring Committee also extends solidarity to the forthcoming united struggles in various sectors like banks, insurance, telecom, PSUs etc. The Sponsoring Committee resolved to go in for phased agitation to culminate in countrywide strike action to press for the following demands of the toiling masses:

Introduce comprehensive legislation for the unorganized sector workers incorporating the unanimous suggestions of trade unions along with separate comprehensive legislation for the agricultural workers. The Bill in this regard reportedly cleared by the Union Cabinet is thoroughly inadequate and has not yet been presented to the trade unions

Take firm measure to check price rise. Strengthen PDS. Scrap the new series of Consumer Price Index (2001=100).

Conclusion and Suggestions

If a firm opts for downsizing, it must keep in mind some of the rules of downsizing: Set targets, deadlines and objectives for downsizing Institute a variety of cost cutting procedures, not just head count reduction Make clear, direct & emphatic announcements of downsizing strategy Give advance notification of downsizing Provide all financial benefits agreed upon in time & extend outplacement assistance as far as practicable Develop trust between management & surviving employees implement downsizing in a fair & humane manner

Those employees who are going to be affected must be informed well in advance. These employees not only have to cope with the emotional trauma, but also with loss of self confidence, self esteem. The pain here is not only suffered by the individuals alone but also his/her family members. Those employees, who remain after Downsizing, suffer from significant problems. They suffer from guilt and are also faced with the fear of job insecurity. They often show decreased productivity & satisfaction. They usually loose motivation to work and worry about the future of their own. The fundamental reason to resize the organisation is to improve organisation performance & to reduce costs of operation. Downsizing is a inevitable reality, it is important to do so with dignity & with due consideration to its fallouts from the standpoint of the employer as well as the employee. It is a challenge to the organisation to manage employee exit without disrupting the organisation function. Those employees who lose jobs are the hardest hit. The emotional trauma of losing is very difficult to cope with, for the affected employees. In case of Downsizing by the companies, in order to take fair and just decisions, they choose the approach "FIRST COME LAST GO.

The survivors experience an emotional shock that prevents them from suddenly changing direction. A decade of downsizing has made it abundantly clear that traditional psychological contract between the employer and the employee has been forever broken. Not knowing what to do people will wait and see what happens. They are waiting for leadership, someone to tell them what to do. A good manager has to have the compassion for human need to cope with the shock and fear that people feel, combined with a sense of optimism direction and mission will help them through the often painful transition from what was to what is to be. Thus planned separation is not an end itself. It is essential to plan for working out schemes that the retained organizational members are not demoralized. A fall out of VRS is that the retained employees are a scared lot, always afraid and apprehensive that anyone or some of them may be asked to retire at any time. Though in reality it is not possible to assure all the retained employees about their retention for all the time in future, Management should demonstrate by its action that retained employees are considered and treated as the valued members of the organization.

It is important to maintain the morale of the retained staff. It is therefore necessary to maintain close communication with them and dispel rumors, which are generally rampant in such conditions. Efforts should be made to build a good deal of counseling services. Counseling should be used as a process to communicate effectively with the organizational members so that they realize that VRS is the last resort for the revival and survival of the organization. A good counseling session must include practical advice about how to use or invest the sum received as compensation. The retained employees shall also need advice not only on investment but also on income-tax implications. When layoffs are conducted or perceived to be conducted according to random criteria or on the basis of merit, they may have an impact on the work performance of the retained employees. They tend to develop a sense of job insecurity and search for job offers outside. The companies can reduce the impact of downsizing by retraining or redeployment policies. These help employees to acquire more than one skill. Also potential employees should be involved in planning the downsizing process thereby creating awareness among the employees that downsizing is inevitable in that particular situation facing the organization. Providing good and attractive compensations and severance packages can soften the impact of downsizing.

The implementation of downsizing strategy should be carefully planned and performed by the organizations. To begin with, a clear and careful analysis of the effects of the layoffs in the long run as well as in the short run is to be carried out. If a company performs layoffs in response to the short-term losses, its long-term survivability may be endangered. Thus before conducting layoffs, the companies should seek an appropriate balance between short-term and long-term demands. The companies should be well prepared for downsizing. Anticipating the kinds of human resource problems that crop up subsequently, help the companies to cope up with this change to some extent.

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