In a time of increased workforce reductions, managers need to learn how to minimize the negative effects of layoffs on both the employees and the organization.

Managing Layoffs: Experiences at the Challenger Disaster Site and the Pittsburgh Steel Mills

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Most managers are reluctant to lay off workers and do so only as a last resort. Yet workforce reductions are all too common. Blue-collar workers have long been subject to layoffs, and substantial declines in employment in rust-belt industries continue. During the 1980s, employment by the "big three" auto manufacturers has dropped by close to 25%; and U.S. Steel alone has laid off more than 35,000 workers during this decade. In addition, since 1980 more than half of the largest 1,000 corporations in the United States have undergone some form of reorganization that caused widespread layoffs of white-collar workers. General Electric, for instance, closed 73 plants and offices, eliminating tens of thousands of jobs; IT&T cut its labor force by 100,000, including 66% of the headquarters staff. The sheer volume and diversity of workforce reductions are making it more important than ever for managers to learn to handle layoffs effectively.

The issue of layoffs has also become more complicated for a number of reasons. Several court cases have sharply curtailed the employment-at-will doctrine: Employers are no longer totally free to fire and terminate as they deem best for their corporation. In several important court cases, challenges to the "employment-at-will" doctrine have been upheld. In both Toussaint v. Blue Cross and Blue Shield of Michigan and Ebling v. Masco Corporation, for example, the courts ruled that employees could be discharged only for "just cause," only after specific disciplinary procedures were implemented, and only if employees did not have implicit contracts with their employers that promised them work "as long as they did their jobs." Consequently, corporations can no longer lay off whomever they choose with impunity.

In addition, layoffs have become much more likely to be challenged legally. The courts have been sympathetic to suits of laid-
off employees alleging age and sex discrimination, and to suits of ex-employees that are filed on the basis of defamation of character. In probably the most well-publicized case of this type (Buck v. Frank B. Hall & Co.), a terminated employee won $2 million from his ex-employers when they called him a “Jekyll and Hyde person, a classic sociopath” in responding to questions from prospective employers.

Moreover, layoffs have begun to hurt some companies’ reputations in the community. In 1987, Chrysler’s Christmas closing of its Kenosha, Wisconsin plant received extensive adverse publicity on prime-time network news; prior layoffs at Atari and at the network news stations themselves also generated substantial negative publicity. Good will has been lost particularly when the public believes that laid-off employees have been treated harshly.

Research by Joel Brockner, an associate professor at the Columbia Business School, and others suggests that poor handling of layoffs can lead to decreased productivity and morale among “survivors,” the employees who remain on their jobs after others have been laid off. If the layoffs are handled poorly, survivors may become highly dissatisfied, and may search for new jobs themselves, lose their motivation to go the extra mile at work, or become anxious that future layoffs will claim them as well.

Managers should be concerned with the impact of layoffs on employees and their families for humanitarian reasons as well. Layoffs can have substantial negative effects on both the psychological well-being and the physical health of laid-off workers. In some cases, layoffs have contributed to these workers’ marital difficulties and problems with children.

For all these reasons, learning how to manage layoffs effectively is critical for both human resources managers and general managers. Later in this article, we will identify specific ways in which managers can make layoffs less damaging to both the company and the laid-off workers.

THE CHALLENGER DISASTER SITE AND THE PITTSBURGH STEEL MILLS

During the past two years, we have studied the effects of widespread layoffs at two locations: the area whose employees were affected by the Challenger disaster, along the Space Coast in Florida; and the Pittsburgh steel mills in the Monongahela Valley. We have surveyed and/or interviewed more than 500 laid-off workers about their work experiences before their layoffs, how the layoffs were implemented, how successful the employees have been in finding new employment, and how they—as well as their spouses and children—have coped with life without work. In several ways the workforces at these two sites stand in sharp contrast to each other, e.g., Northern, blue-collar workers versus Southern, white-collar workers—but we found that their experiences as a result of the layoffs were strikingly similar. As the comments below suggest, the basic message from both groups of laid-off workers was the same: They were not treated equitably or humanely at the time of termination, it was very difficult to find satisfactory reemployment, and being unemployed made them anxious and depressed. One worker who was laid off from the steel mill said,

You’ve spent most of your life going to work every morning, putting in at least eight hours, and returning home every night, assured of the fact that you’ll do it all again tomorrow. No matter how much you complain about your job, it’s better than no job at all. Suddenly, you’re on the outside looking in, and you would trade places with anyone not to be there.
And a laid-off worker from the Challenger program said,

I have to let you know how angry I am—words that I normally think of will not cover the feelings. It's as if I am going crazy— or having a bad dream and am unable to wake up.

The Challenger Layoffs

When the Challenger space shuttle exploded on January 28, 1986, life along Florida's Space Coast changed not only for NASA employees, but for other workers as well. At peak employment levels, the Kennedy Space Center (KSC) employs about 15,000 people; engineering companies like Harris Corporation and Lockheed Space Operations employ thousands more. Within a month of the Challenger disaster, 1,100 people were laid off from the Kennedy Space Center; in September 1986, another 1,400 were let go. Thus employment at KSC alone fell by 16%. It is estimated that another 3,500 workers were laid off by engineering and manufacturing companies that did most of their business with the aerospace industry.

The local economic impact of the Challenger disaster spread well beyond the aerospace industry. Motel occupancy rates dropped to as low as 50%, down from 95% before the crash. Restaurant and tourist business levels at nearby Cocoa Beach dropped by 10-15%. Building permits for single-family homes fell by 18%. General retail business declined, and consumers' payment delinquency rates skyrocketed.

Life for the laid-off space workers was not easy. Employers were reluctant to hire these workers because they remembered the layoffs after the Apollo disaster in 1967, when a fire killed astronauts Grissom, Chafee, and White; as soon as "the Cape" started rehiring in 1969, large numbers of aerospace workers...
quit their new jobs. Following the Challenger disaster, laid-off workers had trouble even getting their foot in the door. Laid-off employees contacted an average of 35 companies and yielded on average only three interviews. Workers found themselves overqualified and overeducated for the available jobs, and the lucky few who got new jobs generally had to take pay cuts of more than 20%.

The Steel Mill Layoffs

Layoffs in the space industry have been largely cyclical—but layoffs in the steel industry have been chronic and long-term. Ten years ago U.S. Steel (U.S.X.) employed more than 42,000 workers in the greater Pittsburgh area; today employment at U.S.X. is below 7,000. This past decade of plant closings and pink slips was described by one former steelworker as a "slow-motion holocaust."

With the decline of the steel industry came the decline of the communities which for so long had depended on the mills for their livelihood. According to U.S. census figures, Allegheny County, which is in the Pittsburgh area, suffered the second largest population loss in the United States between 1980 and 1986 (5.3%). In 1987 alone, Homestead Township lost 9.6% of its tax base, and neighboring Duquesne County lost 6.3%. Food banks, unemployment offices, and counseling services sprang up in storefronts once occupied by commercial enterprises.

The participants we spoke with from the Pittsburgh area reported severe financial problems. Five percent lost their homes to mortgage foreclosures; 10% were forced to move because they could not pay their rent or mortgage; and five percent experienced utility shutoffs.

In addition to these immediate financial hardships, job loss took a heavy psychologi-
cal toll on many of the laid-off workers. There was a strong sense of shock and disbelief; life as they had known it—and as their parents had known it before them—had suddenly changed. Many male workers felt a sense of insecurity in their marriages when they found themselves no longer playing the traditional role of breadwinner. Moreover, most of the high school students in the community planned on leaving the area immediately upon graduation, having decided that they could never find suitable work in the Pittsburgh community. As one sign of this pessimism about the job market, 25% of the male graduates at Duquesne High planned to join the military after graduation in 1986—nearly three times as many as in 1981.

**HANDLING LAYOFFS**

Laying off workers will never be a pleasant or popular chore. But there are actions which managers can take to ameliorate some of the negative consequences of layoffs, and to facilitate the efforts of laid-off workers to find satisfactory new employment. Our research at the Challenger disaster site and the Pittsburgh steel mills suggests eight reasonable courses of action that managers can take in order to accomplish these twin goals. Each is discussed below.

**Provide Advance Notification**

Managers have traditionally not wished to provide employees with advance notice of layoffs, fearing that such notice would result in work slowdowns, intentional sabotage, and high turnover. Indeed, in our research fewer than 50% of the employees received any advance notification, and most of those who did received less than one week's warning. The lack of advance notification was responsible for much of the employees' anger, as these comments suggest:

I feel betrayed. We were told about several contracts being transferred from other subdivisions last year. Now there is nothing. I was lied to. I knocked myself out to help the company meet scheduled shipments that called for some ridiculous overtime. Why?

I feel tossed aside, like an old shoe.

I feel that the employees of this company are not kept informed enough about current conditions that might end up with a layoff. In my case, I had just turned down a job offer about two weeks before my layoff. I had no indication I might get laid off or even that there was a layoff in the works.

The actual risks associated with giving advance notice are much lower than managers think they are. The work of economists Arnold Weber and David Taylor suggests that giving advance notice does not lead to decreases in productivity or to increases in sabotage. Furthermore, particularly when layoffs occur in depressed labor markets, most workers have few available alternative job opportunities anyway, and they are thus unlikely to quit prematurely. In some cases, workers may actually try to work harder and produce more in an effort to demonstrate to management that a plant is worth saving.

Moreover, giving employees advance notification of a layoff may actually benefit employers by improving the company's image in the public eye. For example, the stock brokerage firm E. F. Hutton received very poor press when it laid off 1,500 employees (mainly research analysts) after the stock market crash of October 1987; employees were asked to leave by 5:00 P.M. of the day on which they were notified. By contrast,
American Hospital Supply and AT&T have received substantial positive publicity for the ways in which they schedule layoffs. By keeping jobs open at other facilities for the skeleton crews that close a plant, by hiring laid-off workers on a contract basis, and by compensating the last group of employees to leave with high overtime pay, these firms have won the public's approval and have become positive role models for other corporations.

Giving advance notification of a layoff has clear advantages for employees. Our research suggests that employees who received advance notification were less likely to be unemployed for a long time or to suffer severe financial setbacks after the layoff. Researchers Douglas Love and William Torrence estimate that between 1979 and 1984 in the United States, 4.2 million weeks without work were avoided by workers who were given advance notice. Those who did not receive advance notice suffered an additional 3.8 million weeks of unemployment.

Since February 4, 1989, federal legislation has been in effect requiring companies to give employees at least 90 days' notice when closing a plant will result in laying off at least 50 employees and at least one-third of the workforce. The legislation provides for an exception if "unforeseeable business circumstances" prevent the employer from meeting the requirements. And although the law requires the employer to consult in good faith with employees for a "mutually satisfactory alternative" to layoffs, the employer is not required to implement that alternative.

Provide Severance Pay and Extended Benefits

One of the most visible and tangible ways in which companies can aid laid-off workers is by providing financial assistance, either through severance pay or extended benefits, including health insurance. In our study, about 33% of the laid-off workers received such financial assistance.

The obvious benefit of such financial aid is that it can buffer workers from the financial losses and the anxiety of unemployment. Employees can return to school or be retrained, and do not have to accept a menial, unsuitable job out of financial necessity.

Our research indicates that companies are much more concerned with giving severance pay to white-collar workers than to blue-collar workers, and more likely to give extended benefits to blue-collar workers than to white-collar workers. Sixty-four percent of the white-collar managers and professional workers whom we interviewed received severance pay, as opposed to 16% of the blue-collar workers. By contrast, 42% of the blue-collar workers received extended benefits, as opposed to 23% of the white-collar workers.

Companies seem to be motivated to give white-collar workers generous severance pay for two reasons. First, companies are very sensitive to the possibility of being sued for wrongful discharge, and they may believe that providing substantial financial assistance will lower the likelihood of being sued. Further, as in the case of the layoffs at the Challenger disaster site, many of the firms laying off white-collar workers were hoping that the layoffs would be only temporary. They were motivated to treat their employees gently and generously in the expectation that they would return.

By contrast, many corporations assume that unions will bargain for financial assistance for blue-collar workers — an assumption that is not always borne out in fact. For example, the United Steelworkers Union contract did not provide for company-sponsored supplemental unemployment benefits (SUB) for workers with less than two years' service,
and employees with less than 10 years' service received aid only if reserve levels in the SUB fund were adequate. Thus those workers who were most vulnerable to layoffs because of low seniority were least likely to receive financial assistance.

**Provide Outplacement Assistance**

Outplacement encompasses a variety of assistance programs for laid-off workers, including résumé writing workshops, career counseling sessions, and direct placement assistance. Because the content and length of these programs vary greatly from corporation to corporation, hard empirical evidence of their effectiveness has been difficult to obtain, despite the large amount of publicity they have received. In our study, too, participants differed greatly in the amount and quality of assistance they had received, as these comments indicate:

The company that I worked for for almost 20 years seems to have abandoned me. Approaching the personnel office is a complete waste of time. And I'm wearing my friends' patience thin by contacting them all too often.

When I lost my job, the company I worked for offered me a comparable job in another city. I took the job and therefore had to move. I was very pleased to have the job but it proved to be very difficult to lose your job and your friends and your life as it had been. The bad part of it all was that I felt I was not in control of my own life.

My supervisor is keeping me informed of openings and is actively informing fellow supervisors of my availability.

In our study, about one-fifth of the participants received outplacement assistance of some sort. Outplacement assistance was given about three times more frequently to white-collar workers than to blue-collar workers (33% versus 11%). The most positive effect that outplacement assistance had for laid-off employees was that it motivated them to seek retraining and relocation: it led individuals to consider major alternatives to their past lines of work and to their local labor markets. In addition, outplacement programs provided a useful forum where laid-off workers could seek social support from one another.

In both the Pennsylvania and Florida locations, some impressive outplacement services were provided. For instance, Bethlehem Steel Corporation joined the state of Pennsylvania and the U.S. Department of Labor to establish the Career Continuation Centers in Johnstown and Bethlehem. These centers gave the laid-off employees access to bulletin boards with job listings, desks with telephones, and secretarial services. Laid-off workers also participated in two-day seminars on job-seeking techniques, as well as one-on-one counseling. After the Challenger disaster, Brevard Community College in Cocoa, Florida set up a similar center with federal funds in order to assist laid-off aerospace professionals. The Brevard outplacement center helped employees prepare résumés, refine their interviewing skills, and locate job opportunities that would use their managerial or technical skills outside the aerospace industry.

Not all outplacement activities have been so successful. General Motors Corporation's "Mainstream" program has been quite controversial: Some employees saw it as the company's way of coercing them to leave. Some outplacement programs were not geared for the type of job hunting that those using the programs needed. For example, most seasoned professionals do not particularly need help in résumé preparation, yet some programs for professionals offer such assistance:
these same programs failed to provide private offices and phones, which the professionals do need in order to make job contacts.

Our research suggests that one of the most valuable forms of outplacement is the provision of a temporary base of operations from which to seek employment as well as clerical and technical support for writing résumés and contacting potential employers. Moreover, it appears that counseling and career planning activities are most useful if they are implemented after the layoffs are finalized, and on a one-to-one-basis.

Provide Additional Training

Another kind of assistance firms can provide to laid-off employees is training. Particularly for firms in declining industries and occupations (such as steel), simply encouraging workers to go out and find new jobs misses the mark. These individuals need to be considerably retooled in order to maintain satisfactory new employment.

In our study, fewer than a quarter of the employees received any training from their companies after they were laid off. As might be expected, the blue-collar workers in Pittsburgh were more likely to obtain training than were their white-collar counterparts in Florida: The blue-collar workers who were laid off from the steel mills were losing not only their current employer but also, in many cases, their occupation or craft as well. Therefore, they needed some retraining that would prepare them for new lines of employment. By contrast, the more highly educated engineers and technical workers in Florida were more in need of opportunities in the same occupation (though in a different setting) and were thus more likely to receive outplacement assistance.

Many employees in our study undertook training or went back to school on their own—often with very positive results. Getting retrained helped employees to reduce the amount of time between jobs. Enrollment in training programs also has psychological benefits. It gave unemployed workers some structure to the day, provided them with a regular work-related activity, and allowed them opportunities for increased social contact, as the comments below suggest:

The layoff was the push I needed to go back to school and work toward establishing new goals.

In some ways, the layoff has been a blessing in disguise. I am now in a field which has always seemed interesting, though I had never imagined ever working in it. But having been forced into it, so to speak, things are looking up. It is not unreasonable to expect to double my former income or earn even more within two years.

I feel that working is very important, not only to support myself, but also to keep busy. I am planning on taking some night classes soon.

Few corporations have initiated their own retraining programs, but there are some notable exceptions. Ford Motor Company established a National Development and Training Center at an annual cost of $15 million. This program is unusual because instead of offering standardized formal courses, it tailors a program to fit each employee's individual needs and interests. IBM has developed extensive retraining programs for professional workers that prepare them to take new jobs within the company.

More and more corporations are taking advantage of federal governmental financial incentives to assist laid-off workers. The National Alliance of Business, which was established in 1980, provides governmental subsidies to businesses which hire and train people who are hard to employ. The Title III...
Dislocated Workers Program, which was enacted in 1982, provides governmental assistance to employers who are directly involved in efforts to re-employ laid-off workers. These and other cooperative ventures allow corporations to train laid-off workers without absorbing the total cost themselves.

**Treat Laid-Off Workers Fairly and Courteously**

As the following comments of some of the participants in our study suggest, being laid off is often a traumatic and emotionally painful experience. The way employees are treated at the time of their terminations will have a major impact on how effectively they cope with their job loss.

Inaccurate and untrue performance appraisals were used in support of company layoff goals—a very cavalier attitude toward dedicated long-term employees. The human aspects were gruesome.

The process of reducing the workforce could have been handled more tactfully and with greater concern for the individual.

The company did not exercise good judgment in laying off lower-paid employees while keeping an over-abundance of much higher-paid management and supervisory personnel.

Two managerial techniques seem to be most critical in reducing the employees' anxiety during layoffs. First, management needs to make the criteria for layoffs explicit. In our study, many employees thought their terminations were arbitrary and capricious, or that they were based on age or racial discrimination. Others felt that top management was sparing management personnel who were only average performers, but drastically cutting the numbers of blue-collar workers—

"I know you're proud of your record of 23 years without missing a day's work, but I think you'd better go home."
including excellent performers. Further, many believed that performance evaluations were being disregarded or were being inappropriately used to justify layoffs. Seventy-five percent of our respondents had been rated "outstanding" or "excellent" on their last performance appraisal, but they had been let go nevertheless. This created anger and confusion among the employees. Management needs to make clear the criteria for terminations, whether they relate to seniority, merit, or job category. When performance evaluations are to be used as the criterion, it is critical that they be perceived by the employees as fair and objective. Otherwise, management leaves itself open to legal action from those who are laid off, ill will from the public, and justified distrust from the employees who remain.

It is also critical for management to treat laid-off employees with dignity, and to help provide them with social support. As researcher David Schweiger and his colleagues have suggested, at a time of layoffs the most effective managers give their employees accurate information, spend time listening to the feelings and frustrations of those being laid off, and help employees to face the job hunt with self-confidence and high self-esteem. In their writings on the subject, Robert Sutton and his colleagues have suggested that managers deliver the news of a layoff in person and allow the laid-off employees at least a few days to say goodbye to co-workers and to adjust to their situation before leaving the corporation.

Handle "Survivors" Constructively

The work of researcher Joel Brockner and his colleagues makes salient a tough managerial problem: keeping up the morale and productivity of those who remain on the job (i.e., the "survivors"). Survivors miss their departed colleagues and are frequently angry with management for having caused the layoffs, for having mishandled the layoff process, or for speaking negatively about the departed workers. Moreover, productivity may suffer as surviving employees spend time speculating on whether more layoffs will be forthcoming, and as some begin prospecting for new jobs in anticipation of such a development. One of the most poignant comments we received had to do with the painful loss of co-workers:

And what about all the friendships you've made at work? Let's face it. These people are more than just your co-workers. You've spent eight to ten hours a day with these guys. They see more of you than your family, and probably know more about your moods, attitudes, and ideas than anyone else you know. They laugh at your jokes, calm you when you're mad, cheer you when you're down, and hug you just when you think no one cares. That's all over now.

There are two steps that managers can take to reduce some of these problems. First, managers should refrain from making derogatory comments about the laid-off employees; they should not try to justify the layoffs by suggesting, for example, that all will be well now that "the deadwood is gone." In most circumstances, employees know that layoffs are the result of the circumstances of the firm as a whole and not of the incompetence of a few employees. Managers who disparage laid-off employees only generate more anger and hostility about the terminations.

In addition, efforts should be made to create a greater sense of stability for those who remain in their jobs. Layoffs should not be carried out gradually, ten at a time, over a long period of time: If they are, the remaining employees are in a perpetual state of suspense, wondering who will be the next to go. Moreover, job changes, workload changes,
and supervisory changes for survivors should be kept to a minimum.

Work Cooperatively with the Unions

The large number of recent plant closings in the industrial sector has allowed unions to become increasingly involved in the management of layoffs. Unions have used a variety of strategies in dealing with management on this issue; they have been guided by several philosophies and perspectives on the role of organized labor in a decision that has traditionally been reserved for management.

The United Steelworkers of America (USW) has adopted programs to retain or create jobs for employees by working with corporations and assisting businesses to stay open through labor cost reductions, employee buyouts, and joint lobbying for trade restrictions. In an effort to protect employees who were affected by the precipitous decline in the domestic steel industry, USW negotiated a new labor agreement with the major steel producers. This agreement cut wages, vacation time, benefits, and cost-of-living increases for members, but allowed them to keep their jobs. This represented a major departure from the traditional union position. At a time of crisis, retaining jobs became more important than winning benefits and raises.

The USW has also supported Employee Stock Ownership Plans (ESOPs). The traditional union position has been that the workers' interests are inherently in conflict with those of management, but the USW has worked with management to set up job retraining and re-employment assistance centers for dislocated workers whose jobs cannot be saved. By 1987, more than 70 assistance centers had been established for steel workers; these were jointly funded by the union, the involved companies, and federal money from Title III of the Job Training Partnership Act (JTPA).

Other unions, such as the United Auto Workers (UAW), have been quite involved in labor-management participation programs that are designed to help make operations more efficient. Efforts by other unions include making concessions, assisting companies in appeals to local governments for tax abatements, forming labor-community coalitions to reopen shuttered plants, and lobbying for import restrictions on foreign goods.

Some unions, however, have been skeptical about cooperative efforts with management. The United Electrical, Radio and Machine Workers (UE), for example, view most concession bargaining and any form of employee stock ownership as inimical to the purpose of the union, and as means by the company to ease the company's costs in future plant shutdowns.

Instead of entering into cooperative ventures with management, the UE concentrates on generating negative publicity, forging coalitions with community and social-service groups, and initiating lawsuits and injunctions to slow or halt plant closings. When it becomes clear that a plant cannot be saved, the UE focuses most of its energy on helping dislocated workers to secure larger severance payments.

What direction the overall union movement will take on layoffs, and whether management will be able to work effectively with unions after layoffs are announced is still unclear. The degree of success of such cooperation will be determined largely by the union's overall strategy toward management, and by the history of labor-management relations. However, cooperative efforts between labor and management to streamline production and reduce labor costs are becoming increasingly common and necessary. Labor leaders such as Morton Bahr, president of the Communication Workers of America, have enthusiasti-
tally endorsed these cooperative efforts and have embraced them as a means of restoring U.S. industry. Cooperation between management and unions before layoffs become necessary may be more effective for both sides in the long run than would be reparatory actions after the damage has been done.

Demonstrate Social Responsibility
In the Community

Archie Carroll, who has written extensively on management policy issues, has recommended that corporations take their social responsibilities in the layoff process seriously, both out of humanitarianism and in order to win the good will of the community. Carroll suggests several steps that companies can take in an effort to mitigate the negative effects of layoffs on communities.

One option that is available to corporations is selling to the employees the unit that would otherwise be closed; this option is likely to reduce the number of people who are laid off. In one example of this strategy, National Steel sold its Weirton, West Virginia mill to its employees. Employee ownership has not been consistently satisfactory so far. Employees often have to take pay cuts of up to 33%, and they have retained little direct control of the operation. But the strategy did accomplish its most critical goal: Most jobs have been saved. The National Center for Employee Ownership has found that most employee-owned firms have a good chance for survival. In one of the United Electrical Workers' most visible victories, Gulf and Western was maneuvered by UE into selling its Morse Cutting Tool plant as an ongoing enterprise; the plant has remained active.

If the company decides to close a plant or a division, a corporation can take steps to mitigate the social and economic impact of its action on the community. Some corporations, such as Tate and Lyle (United Kingdom), have invested capital in firms that were willing to expand their workforces by offering jobs to former Tate and Lyle workers. Other corporations, including Olin and Gulf Oil, have made substantial gifts of land and facilities to the communities where they were forced to shut down their operations.

Management researcher Lee Perry argues that corporations should also actively seek alternatives to layoffs. These might include reducing new hiring, suspending temporary and overtime employment, redeploying employees to other facilities, providing early retirement incentives, reducing benefits, and experimenting with such innovative programs as job sharing.

SUMMARY

As distasteful as the announcement and implementation of layoffs may be, it is critical that managers confront this issue. They need to gain an understanding of how layoffs affect employees and to learn how to manage workforce reductions more effectively. Our research suggests several points for managers to keep in mind. First, management should seriously consider alternatives to layoffs; and if a layoff is unavoidable, the number of people to be laid off should be reduced as much as possible. Second, corporations should offer employees a variety of assistance programs to help them to find new employment in the long run and to cope with unemployment in the short run. Third, corporations should follow specific procedures to treat the laid-off employees humanely, and to decrease losses in morale and productivity among survivors. Fourth, corporations should work cooperatively with unions, governmental agencies, and the local community to minimize the negative after-effects of layoffs. Layoffs of blue-collar workers as a result of
deindustrialization of manufacturing, and layoffs of white-collar employees as a result of acquisitions, are likely to continue. Managers need to think carefully about the consequences of such layoffs; and they need to take actions to reduce the emotional suffering and financial hardships that layoffs can create.

SELECTED BIBLIOGRAPHY

A fuller discussion of our research at the Pittsburgh steel mills and the Challenger disaster site can be found in our book Individual and Institutional Responses to Job Loss (forthcoming in 1990, from Lexington Books). Our major theoretical ideas on job loss are presented in our article “Individual Responses to Job Loss: Perceptions, Reactions, and Coping Behaviors” (Journal of Management, September 1988).

Several labor economists have studied the economic causes and consequences of layoffs. Of particular interest to managers might be Robert McKersie and Robert McKersie’s book, Plant Closings: What Can Be Learned from Best Practice (Department of Labor, 1982). Paul Staudohar and Holly Brown’s Deindustrialization and Plant Closure (Lexington Books, 1987) contains several thoughtful essays on economic issues related to plant closings. Arnold Weber and David Taylor’s article on the effects of advance notice on productivity appears in the Staudohar and Brown collection. Another important article on the financial aspects of advance notification is Douglas Love and William Torrence’s “The Value of Advance Notice of Worker Displacement” (Southern Economic Journal, January 1989). Love and Torrence argue that advance notification significantly reduces the number of weeks employees are without work and does not result in higher wages upon re-employment.

Two articles on the legal ramifications of layoffs are particularly helpful and incisive. Maria Leonard’s “Challenges to the Termination-at-Will Doctrine” (Personnel Administrator, May 1983) nicely summarizes the evolution of the termination-at-will doctrine and important recent court cases on this issue. Jeff Copeland’s “The Revenge of the Fired” (Newsweek, February 16, 1987) carefully documents the rise and success of defamation-of-character suits as a result of terminations.


The work of Joel Brockner and his colleagues is critical to an understanding of the impact of layoffs on survivors. (See “Layoffs, Self-esteem, and Survivor Guilt: Motivational, Affective, and Attitudinal Consequences,” in Organizational Behavior and Human Decision Processes, June 1985.) An important article on understanding layoffs in the context of mergers is David Schweiger, John Ivańcevich, and Frank Power’s “Executive Actions for Managing Human Resources Before and After Acquisition” (Academy of Management Executive, May 1987).

Both the Pittsburgh steel mills and the Challenger disaster site have received a good deal of attention in the media. Readers who are interested in learning more about these communities and their layoffs should see the Orlando Sentinel’s “One Year Later” Sunday Special Supplement (January 25, 1987) and David Corn’s “Dreams Gone to Rust: The Monongahela Valley Mourns for Steel” (Harper’s, September 1987).