

A Tale of Two Woes

THOUGHT PAPER

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"It was the best of times, it was the worst of times....it was the epoch of belief, it was the epoch of incredulity"

The famous opening lines from Charles Dickens' timeless classic 'A Tale of Two Cities' captures a time of controversies and chaos - exactly the times we are living in now! Companies are caught in a constant state of conflict between survival and the two woes - cutting salaries or worse, laying people off.

A [survey](#) reveals that it will take over a year to achieve economic normalcy after the lockdown ends, foreseeing a delay in revival and demand recovery. This indicates that words like 'salary-cuts, and 'lay-offs' are going to appear more frequently in organizational tales.

It comes down to organizations and senior leaders to decide whether they want to make it a tale of empathy or that of callousness. By approaching such critical conversations with utmost honesty and transparency, leaders can ensure that they treat their employees with the respect and dignity they deserve while keeping their brand image untarnished.

Here are some thoughts on how these difficult conversations should be addressed:

Make Employee the Center of the Conversation

As difficult as it may be for them, employers need to remember that the news of a pay cut or being laid off is always worse for the employee. **Do not make the conversation about yourself. Make sure that you acknowledge that it is a difficult conversation for the employee.** For example, instead of saying "I don't know how to say this" you can say, "I know what I am going to say is going to be extremely difficult for you". Making the employees' feeling centrifugal to the conversation might help lessen the blow.

Before you have the conversation, remember that you have had the time to prepare for it while the employee is completely unprepared. **You need to be compassionate, giving people time to react and be prepared to listen to them vent.**

Provide a Clear Picture

In his [note](#) announcing a reduction in workforce, Brian Chesky, Co-founder and CEO of Airbnb, says that **"I am going to share as many details as I can on how I arrived at this decision, what we are doing for those leaving, and what will happen next."** He then goes on to do just that in words that leave no scope for doubt.

Even if your employees are aware of the downturn, don't assume that they know the reasons for cutbacks. **You need to give them clear information about the**

business problems behind your actions. Sharing details about the framework and principles used to reach the final decision will let them know that you truly regret your decision and have sincerely explored all available options before settling for cutbacks. When having such critical conversations, you need to include all possible information so that everyone is in the know.

A salary cut announcement without a clear timeline can become a fostering ground for speculation and rumors. When speaking with employees about salary cuts, leaders need to clearly establish that this is a temporary measure and not necessarily a permanent loss of income which will be reconsidered when the time is right.

Take Full Responsibility

"I am truly sorry. Please know this is not your fault" - Brian Chesky in his message to employees announcing lay-offs. He was not only apologetic but also took full accountability.

Given the [close links](#) between self-esteem and jobs, **it is vital that you let the outgoing employees know that it is not them but you and the financial events which are responsible for your decisions.** Hinting that poor performance played any role whatsoever can seriously damage employee self-respect. In case of mass-downsizings, as we are witnessing now, disguising cutbacks with performance reviews can raise questions like "Why did you misjudge your hiring needs?" or "Why were these people kept on for so long if they were not doing their jobs well?".

Affected employees are more likely to accept the conversation well if they feel assured that the decision to cutback is not a reflection of their performance. However, games like purposely lowballing reviews to justify cost-cutting can aggravate distressed employees causing them and unaffected employees to negatively review the organization.

Don't Lose Sight of Humanity

It was the best of times; it was the worst of times....it was the virtual times.

As so many of us are working remotely, it is almost natural that all conversations take place on a virtual platform. However, using one-way video calls, cold emails followed by abrupt disconnection of access reflects poorly on an organization. When a micro-mobility company recently laid off 30% of its workforce over a video call, employees termed it a 'Black Mirror episode' citing a lack of empathy in the way the news was shared, especially since the message was not even delivered by the senior leadership.

While conducting these difficult conversations virtually do not lose sight of a human on the other side of the screen. For tough messages, senior leadership can convene a virtual town hall that allows them to address employees directly and express genuine empathy. While all questions cannot be answered during the session, leaders should encourage employees to reach out after and establish avenues for the same.

Do Not Pull the Rug

While market conditions may force you to cut people's salary or take away their jobs there is absolutely no reason to pull the rug from under them all at once. You can soften the landing by **providing continued financial support** in the form of a severance package (regardless of the period of employment) and insurance cover (including family members). **Non-monetary support** in the form of recommendations and references will be welcomed as a gesture of support.

The distress caused by the financial and emotional impact of cost-cutting can be eased with measures like outplacement services, freedom to use the notice period to look for another job or leveraging the company network to get outgoing employees placed.

Be prepared with these measures and communicate them to employees along with bad news so that they feel assured that you have their back.

Inform Sooner than Later

There is something to learn from companies that have 'mishandled' lay-offs by making sudden and drastic announcements. Apart from being the right thing to do, leading lay-offs with compassion reflects that you acknowledge as well as understand the impact it has on employees' lives and livelihoods.

One month before a mid-sized enterprise announced lay-offs, its IT department had been tasked to allow the company to shut down all user accounts. No matter what the reason, the fact that such information had been hidden from employees till the last minute only worsened the impact of the news. People lost precious time which could have been used for a job search and there was complete erosion of trust in the management.

By being proactive in your communication, you can squash speculation & rumors and prevent bad blood that follows cutbacks and downsizing.

Be the First in the Line of Fire

People who have worked hard for you (some of them for years) need to know that they were not pushed in front of the line of fire. If employees recognize that the most senior people have given up the greatest income in terms of both monies and percentage, they are likely to take a less combative approach towards the conversation.

End Note: Remember, people remember how they were made to feel

[Studies](#) show that "83 percent of job seekers are likely to base their decision on where to apply on company reviews and 46 percent will weigh a company's reputation heavily before accepting a job offer". The way in which a company downsizes its staff or announces salary cuts says a lot about it, especially on social media, which is where everyone is. Organizations need to weigh the impact of negative reviews on reputation before handling such grim conversations abruptly or inhumanely.

Remember, employees will not remember the reason why you were forced to cut their salaries or let them go, they will remember how they were treated.

**"I think we all have empathy. We may not have enough courage to display it."
- Maya Angelou**

About the Authors



Mainak brings over 24 years of experience spanning business and HR roles across geographies. This has given him a unique understanding of the link between HR and business strategy. He also holds a patent for HR capability development.

Mainak's experience includes human capital strategy, culture, talent development (performance, leadership development, career pathing, competency, learning, engagement, diversity) and talent acquisition (including on-boarding and background check). He has also implemented HRIS platform and HR metrics to improve performance.

Recently he has been helping start-ups set up efficient and effective HR teams and processes. In addition, Mainak is a recognized Executive Coach and Leadership Development expert.

Mainak's previous work experience includes stints/projects with Accenture (Consulting and HR), Hewitt Associates, AbsolutData, Heidrick & Struggles, Evalueserve, Sterlite Technologies and Upstox.

Mainak holds a MBA from the Indian Institute of Management, Calcutta, and is a certified executive coach.

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