LAY-OFFS IN THE BLENDED ECONOMY

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Abstract

Recent reports suggest that the Government of India is favourably inclined to change policy and enable establishments employing less than 1,000 workers to lay-off employees and undertake retrenchments or closures without prior permission. Corporate lay-offs in the U.S. indicate an ever-increasing trend and do not make a comforting reading. The year 2001 for example, saw the highest number of job cuts in the Fortune 500 companies than in any year ever since the survey of lay-offs were launched. Japan, despite its tradition of high employee concern, seems also to be overwhelmed with this new trend at least in the I.T. industry. In India, it appears that pressure is building up to similarly allow this enabling facility to all corporations. Prima facie, it appears as if the business is moving towards a state where manpower in an organisation is kept eternally in the transient state. In the process not only ensuring short-term profits but also as a way out of the long-term social security and welfare benefits obligations towards the employees.

The paper examines the impact of lay-off and suggests that while individual impact is important in its own right, the research suggests that the effects of lay-offs go well-beyond the physical, material and psychological state of the individual to the organisation, community and the nation.

Literature review suggests that several alternatives to lay-offs are available and examples of implementing these alternative solutions are available around the world. The literature also negates the general view that the unions will not cooperate in finding solutions. Example in industry clearly show that unions and workers are not only willing to cooperate but even show new ways of coping with the business problems to avoid lay-offs. The paper examines various reasons proffered in favour of lay-offs and argues that they are not necessarily a good option for an enterprise faced with business fluctuations. The crux of the issue is as to what is more important: the short-term gains in the stock market or the longer term financial health and stability of an enterprise.

The paper suggests that a clear, agreed, rational policy that addresses concerns of management, labour and the general society be developed to address the issue.

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The Reports

A recent front page report in a financial newspaper expressed satisfaction that the Group of Ministers on Labour Reforms has recommended that the establishments employing less than 1000 workers will not need prior permission of the government before layoffs, retrenchment or closure. It further goes on to say, "according to estimates, 95% of the Indian enterprises will benefit from the proposed legislative change". (ET, Jan 3, 2001). The follow up editorial next day, while commending the change as "unexceptionable", questioned as to why the big employers should be denied the flexibility in staffing that smaller ones would be afforded. The change is considered progressive since it is accompanied by the promise of enhanced payment of 45 days for each year of service as severance benefit from the earlier 15 days. One gets the feeling that the entire economic health of the country hinges on this one change and that the business is waiting with baited breath for the new regimen to be implemented. If so, one can look forward to a series of business closures and a significant improvement in the bottom lines of other companies in the quarter following the approval of the recommendation by the Cabinet and its enactment, possibly through promulgation of an ordinance to obviate unnecessary delays in democratic fora.

The Media Desk

Lay-offs landed on the Media desk in a big way in the aftermath of the WTC attack, with several airlines announcing cut backs and lay-offs not only in the U.S. but also in Europe. While downsizing by the U.S. airlines is understandable, even though implemented hastily, it is inconceivable that some of the front ranking European airlines suddenly discovered that they had no money to pay wages and salaries to their employees. A situation of that kind builds up over a much longer period of time than a quarter. Thus the suspicion persists that events have been exploited to hide other weaknesses. Mercifully, no major lay-offs have been announced in the Indian Aviation, Hotel and Travel Agency businesses, though some have been noted in select IT companies.

The American Count

Several statistics of Layoffs are available and do not make a comforting reading.

As per reports, the Fortune 500 companies collectively announced 1,040,466 job cuts in 2001. Journal of Business Strategy (April 2001) reported that U.S. corporations as a whole also announced a record number of planned job cuts during the same period. According to Challenger, Gray & Christmas, there were 142,208 lay-offs announced in January and 1,34,692 in December – the largest number in any month since the outplacement firm launched it survey in 1993. The automotive sector led all industries, laying off 34,959 workers during the same period; telecommunication companies had 22,060 planned layoffs; retailers announced 15,344 job cuts.

Home Textiles Today in September 2001 issue similarly highlighted the record layoffs in the industry and its impact on U.S. business.

Brick-and-mortar businesses weren't the only ones to suffer. Dot-com firms also announced a record number of job cuts in January – 12,828. Since December 1999, the firm has recorded 54,343 cuts from 610 dot-com companies. As per the report, while early dot-com job cuts were announced by companies selling goods and services over the Internet, firms that build and maintain the technological elements of the Internet, as well as those providing professional services such as advertising and consulting are also now being hit.

The Editorial of June issue of Journal of Business Strategy (2001) further highlighting the point wrote that the layoffs announced in the first quarter of 2001 (406,806) were 187% higher than the number announced in the first quarter of 2000 (141,853).

Ellen Florian (2001) focusing on layoffs in the United States during autumn 2001 in the Fortune 500 companies noted that jobs have been cut by Sprint, United Technologies, Corning, and BellSouth. Included in the tally: American Express hacked 6,500 employees; Alcoa reduced its work force by 6,500; and Motorola eliminated 9,400 positions. This is despite the earlier hope that the layoffs will slow down after the summer end.

The Japanese Scene

Economist of September 2001 focussing on the Japanese Electronics Industry wrote, "Toshiba says that 19,000 jobs will go. Fujitsu is jettisoning 16,000 workers. NEC is adding 4,000 jobs to the 15,000 it already plans to shed. Kyocera is cutting 10,000 and Oki Electric 2,200. Hitachi, which has yet to break the bad news, may top them all with cuts expected to total 20,000. The author states that were there any doubts about their health, there can surely be none now: Japan's lumbering electronics conglomerates are in pain.

The Indian Scenario

In India while estimates of the pending and intended layoffs, as and when allowed in the workers' ranks, are not available, informal check with the recruitment professionals indicate that significant lay-offs are underway at junior officer/ managerial levels and restricted layoffs at the middle and senior levels in select businesses. In IT, while information about the major players is not known, layoffs among the medium size players during the last year have varied between 40 to 200. Resultantly more people are staying put. In any case going by the select media hype, the pressure is mounting to bestow this enabling facility at all levels and all organisations.

Vaidyanathan (2001), based on the 1993-94 estimated total population of 895 million in India, reports that 382 million persons were in the labour force and 8 million i.e., 2%+ of the labour force were unemployed for greater part of the year. Of the employed, a little over half the workers were self-employed or worked in family enterprises, about 15% had a regular wage or salary and the rest, i.e., about one-third depended on casual wage labour. Thus the issue of lay-offs basically pertains to the 15% of the regular wage earners. Following the above statistics and assuming a base rate of approximately 42% of the current population of 1 billion being in the labour force and 15% of that in the regular wage earner category, we are dealing with a roughly 64 million of the current wage earners as being targeted for lay-off "benefits".

The Rationale

The reasons for layoffs can be many. But the most proffered reason is the fluctuations in sales.

The other prominent reasons are:

* New Business Mortality
* Down-sizing of operations due major changes in the market.
* Change in technology and consequent reduced need for select categories of labour.
* Mergers and acquisition with associated reduction in managerial manpower.
* Shifting of businesses across globe.

A brief look at each one of these reasons is in order.

Fluctuations in Business

Fluctuations in business directly affect the bottomline and therefore make lay-offs a desirable proposition. So to a management with its eyes glued to the share price in the market, it is important that it be able to lay off employees as and when there is a slack in the order book or for some reason the overall expenditure outstrips revenues.

Perhaps from a purely financial point of view, a 10 per cent job cut in any quarter will automatically lower costs. While this may be arithmetically true, life often defies numbers. Yet, and somewhat unfortunately, as the Japanese data show, more managements are getting tempted to implement across the board job cuts by copying American corporate culture, regardless of its efficacy as a solution.

It is also possible that perhaps there are other reasons hiding behind the facade of fluctuations. Software is one industry where fluctuations in business are supposedly high. Thus Sasken Communication Technologies in India first announced a 20% salary cut and then a 100 Crore investment for expansion. It also talked of not ruling out lay-offs. So one wonders as to what exactly was happening at Sasken.

In contrast, meltdown in the US economy has not affected Infosys Technologies. Instead, it continues to plan recruitment and growth. It has also evolved a system of 'benching' under which it rotates approximately a 15% of its 'techies' to be in training. But overall, if Infosys Technologies has amongst the lowest attrition rate of 11%+, then the need for lay-offs in the software industry is at best debatable. IT, of course, is not just the Data-entry business, a simple jobbing operation that is prone to fluctuations, which will need to examine a system with an eye on the order book.

Financial Services, another industry with high fluctuations in workflow, has tended to treat lay-offs as a tool to keep its junior level employees eternally young and in the lower pay scales. This is not new, as some industrial houses are known to have implemented a sort of rolling plan for their Management and Executive Trainee Schemes. This is almost as if the hourly wage concept is being modified to a 2-3 year period. So overall, one can surmise, regardless of the new legislation, lay-offs for professional and executive position will continue in some form.

New Business Mortality

In the U.S., and perhaps also in the other developed countries, the mortality rate of new businesses is rather high, related as it is with the spirit of enterprise. The high mortality rate is particularly true of small ventures and family businesses. While similar authentic data in India is not available, high mortality of new enterprises seems to be the reason behind the dot-com bubble burst. Notably, many of these dot-com companies were individual driven single server based operations. The stable organisations in the I.T. industry in India have not been badly affected, despite recession like conditions.

It is obvious that when a new company closes, its meager work force automatically goes. In such a situation, one is not dealing with the issue of mass layoffs of manpower in a company that has been doing business for decades. Generally no tears are shed in such start-up efforts and particularly those that merely seem to join the bandwagon.

Down Sizing

Downsizing of operations basically refers to a reduction in the installed capacity due to a slow down in the long-term demand for product. Ordinarily, overall demand for a product grows naturally and slowly, related as it is to the growth of the economy and prosperity of the people. It similarly slows down as a cycle of market need fulfillment or on replacement with an improved product. Thus downsizing is essentially limited to cases where excess capacity has been created over-estimating demand, or to pre-empt competition or avail of easy credit. But in a country where the current consumption levels are low and in a scenario where new markets are supposedly opening up, courtesy globalization, to build a case for industry wide excess capacity is neither going to be easy nor, prima facie, a rational strategy. Nevertheless, one cannot conceive of a blanket ruling out of downsizing as an option and a management would need to examine the issue on merit. Thus, lay-offs due to downsizing of capacity can be examined as one of the options in some situations. The issue is whether it is the first or the last option.

Technology Change

Improvements in production and service delivery can often be accompanied by a reduced need for labour. However, it is rare for an organisation to completely abandon its existing technology and shift to new in one go. Thus the opportunity to gradually transform the manpower skill base along with the technological change is certainly available. VRS can certainly be explored in case of reduced need for manpower due to technology change and for a sunset industry. Though other solution like re-training must also be explored.

Mergers and Acquisitions

One time when there is a definite promise of Lay-offs, particularly at the managerial levels is the Mergers and Acquisitions. Mergers do not reduce capacity. Nor do they, add capacity by the mere act of merger or acquisition. However, combined operations and parallel facilities may require lesser supervision, beginning with the CEO down to the level of a division and a department. Managerial lay-offs are often implemented without much protest. In any case managerial layoffs do not appear to be a target of the proposed legislative change.

Shifting Around of Businesses

One of the major reasons that the large corporations need easier lay-off opportunity is to be able to shift businesses around the globe. Thus, Lucent opened a software facility in India while announcing 10,000 lay-offs in the rest of the organisation. SGI similarly announced major growth and recruitment plans in India while undertaking lay-offs in the parent company. The world has seen shifting around of the bulk of the batteries manufacturing and ample parts of the Chemicals and Dyes manufacturing to locations in the developing countries while closing it at home in the developed countries. Though implemented as having become too expensive to produce at home, nevertheless, they also represent an attempt to avoid facing tougher pollution control norms. Whether it is also a part of the national strategy for some to shift polluting industries to less developed countries to be followed up with sale of pollution control technology will need to be probed. If so, such shifting of businesses around the globe becomes one more contributor to the global instability, particularly for the economies that are already vulnerable due to huge debts and internal weaknesses.

The Emotional Content

Layoffs are an emotional issue and not only in India. One can not forget the 100,000 plus workers that rallied in Bombay against the Finance Minister's announcement during his 2001 Budget speech to make it easier for units to close down and lay-off employees. Shiv Sena even talked of the Civil War if this policy was implemented. Elsewhere in the US, Jack Welch has never been able to live down his shifting of hundreds of thousands of jobs to Eastern Europe, despite his otherwise illustrious career.

The Impact

The impact of layoffs is generally seen only in terms of its effect on the individual.

For example, as a result of all these layoffs, as per reports, increasing number of high income group individuals in the U.S. have been forced to file for bankruptcy (Simon Ruth, 2001). Examples include William Oakes, former vice president for Sybase Inc. following a layoff and his inability to find work. He also refers to James Brady (Dec 2001) similarly presenting brief reports about the advertising and media industry in the US. He discusses about high-profile lay-offs of Judy Glassman, formerly of Conde Nast Publications, as 'Premiere' magazine's executive director of marketing and creative services; former Cable News Network (CNN) producer Laura Rowley and other individuals, including Bunny Fensterheim, Keith Sherman, Diana Newman, Alan Katz, and Ken Kurson. Such high profile lay-offs may affect the celebrity status of an individual; they do not necessarily heighten insecurity. But in the economy that promotes the principle of “buy now, earn later” particularly for the low and middle income groups, the extent of tension due to the uncertainties associated with possible layoffs must be pretty high in the American society.

While the media attends to the high profile lay-offs, the impact is generally uneven on a given work force. Iversen et al. (2000) Applying event history analysis to data from a sample of 415 hospital employees over a five year period, found that older, full-time employees, who were less absent, and had an acceptable workload, but responded negatively to amalgamation were more likely to be downsized. By contrast, employees who were younger, white-collar, and predisposed to the amalgamation were more likely to resign. Overall, the five categories of variables, age, blue-collar, co-worker support, full-time, amalgamation, and work overload distinguished between the two forms of turnover.

Other studies have similarly addressed other significant aspects.

Bennet and Martin (1995) reports the results of a longitudinal study of lay-off victims and how they cope with job loss. ASQ (1987) similarly reported a study which examined the effects of lay-offs on the retained individuals of an organization. Of particular note is the issue of the 'Anger of the survivor'. With globalization a new dimension of the immigration related consequences of layoff (Topolesci 2001) has been added. With the new economy employing a large number of foreign nationals, laying off of alien workers has added woes of alternate job search within a stipulated short time before being unceremoniously sent home. Parker (1974) focussing on temporary employment industry highlighted as to why the temporary workers have become a permanent fixture in the U.S.

Thus the impact of lay-offs is not limited to mere physical, material and psychological states of the individual but goes way beyond to the larger economic outcome and work place controls that aim to keep manpower eternally in a transient state. If that be the goal, then business and governments must develop alternative social security and long term employee welfare schemes under which a worker accumulates these benefits for every hour of work rendered to whichever employer, for encashment in future.

The Costs and Benefits

Corporate managements tend to forget that layoffs hurt long term recovery (Zimmerman, 2001) apart from the Institutional Memory Loss (Omateseye, 2001). This is notwithstanding the implementation of Decision Support Systems as there will always be residual memory that stays with the human and gives rise to intuitive judgement.

Barbara Wiens–Tuers (2000) conducted an empirical analysis of the relationship between employee attachment and the types of employment arrangement in an attempt to study the long-term costs of lay-offs. She assessed the commitment of an establishment to its core employees in terms of the length to which it will go to avoid layoffs. Three categories of employment studied were:

a. The Direct Employment Arrangement as those arrangements in which employees perform work for the firm or employer that hired them.
b. Intermediated Employment Arrangements as those arrangements in which employees of companies like Temporary Help Services or Leasing Companies who perform their services for a third party or business.
c. Indirect or Non-Intermediated Employment Arrangements like employment with contractors, sub-contractors and consultants who are lured for specific jobs or projects on non-permanent basis.

Based on the results the author concluded that employment uncertainty is contributing to the “growing instability in income, status and economic security” within the United States.

Conlin (2001) summarizes the costs and benefits of lay-offs as under:

- Severance and rehiring costs
- Potential lawsuits from aggrieved workers
- Loss of institutional memory and trust in management
- Lack of staffers when the economy rebounds
- Survivors who are risk-averse, paranoid, or politically active

Benefits to the companies that avoid lay-offs are:

- A fiercely loyal, more productive workforce
- Higher customer satisfaction
- Readiness to snap back with the economy
- A recruiting edge
- Workers who aren’t afraid to innovate, knowing their jobs are safe

Overall perhaps the perceived benefits of layoffs do not necessarity match up to the costs incurred at the levels of the individual, an enterprise and the general economy of a community or a nation.

The Alternative

While it is more or less taken for granted that layoffs are the only way to deal with fluctuation in business and dips in the economy, it may be worthwhile to look at the alternative routes tried by some corporations.

In the early 1990s when Japan was just beginning to feel the impact of its post-bubble recession and Ricoh suffered its first-ever operating loss, its chairman Hamada Hiroshi laid down the law that every possible restructuring option would be pursued "except laying off workers." That sort of regard for employees has been a traditional Japanese corporate philosophy pioneered by Konosuke Matsushita. Interestingly, Himada Hiroshi's actiona came at a time when it had been assumed that Japanese companies should follow an American model that traded layoffs for efficiency. Instead, all that Ricoh did was to encourage the bottom-up suggestions for change. It also made investments of more than $100 million on technology infrastructure and software. Ricoh is now reported to be in the run of its sixth consecutive year of record sales, and seventh straight year of record profits. Contrast this with its closest competitor, Xerox Corp. which has lately been rumored to be near bankruptcy.

The American Way

In case one is tempted to think that it is only the Japanese who can follow an alternate route, here are some examples from the US corporate world. Witness the examples provided by Philip Hyde (1998) on The Timesizing Wire™. As per Hyde:

Nucor Corp. of Charlotte, N.C., a rustbelt company and the nation's No. 3 most profitable steel producer continues to be strongly committed to not laying off any workers even when the business is down. During the past 20 years, it has not laid off a single worker due to lack of work. Creating a sort of example of an ultimate flexible company, Nucor varies between a 3-day and $8/hour wage workweek, to as much as a 7-day workweek and a $22/hour wage, depending on the availability of contracts.

Lincoln Electric of East Cleveland, Ohio, also a rustbelt company with 2700 employees, instituted a lifetime guarantee of employment in 1959, later extended it to the entire company after 8 years of testing. Lincoln has a 3-year mutual approval period before they give a new employee their lifetime employment, a bit of an improvement over the U.S. academic environment where tenure is granted generally after at least a five-year association. Lincoln follows the principle that *everyone sacrifices together, starting at the top* and couples it with job reassignment and cooperation between workers and management. Lincoln has no unions. Incidently, Lincoln employees have the highest productivity and morale and the most pay of any rust-belt employees in the world.

Around the World

As one can easily surmise, similar examples are available around the world.

Swann-Morton surgical blades in Sheffield, UK, is a small British company that had its last layoffs in the 1940s "but most eventually got their jobs back."

Volkswagen, Wolfsburg, Germany - Early in 1994, to avoid 30,000 layoffs in their headquarters town, reduced the company workweek from the 35 (five 7-hr days) to the 28.8-hour level (four 7.2-hr days) and pay to the 32.5-hour level.

In Sao Paulo, Brazil - in Dec/98, Volkswagen's 20,000-worker Ancieta factory saved jobs despite the 25% collapse of Brazil's car market by cutting hours and pay to the level of a four-day week.

The Unions

"Unions will never go along with it" is a refrain one can hear even before asking. Witness:

At Brockton Hospital, Brockton, Mass., nurses OKed an hours cut to save jobs rather than the lay-off of 86 nurses. The agreement also gave supervisors the ability to adjust staffing levels to meet daily patient volume.

American Optical, St. Louis, Missouri, at the initiative of the union, implemented a 10% workweek cut instead of a 10% workforce cut. Everybody took a small hit but everybody kept his or her job. And some if not all appreciated the new 36-hour workweek anyway.

Local 76 - Communications, Energy and Paperworkers Union, Powell River, B.C., Canada saved jobs by reducing overtime and by moving from 42 to 40 hours for shift workers. As a result, all of the 89 workers who were laid off returned to work. Additionally, other announced lay-offs were cancelled and further cut backs were absorbed without further lay-offs. The overtime dropped from 7% to 1% and stayed there. In December 1998, shift workers moved from 42 to 40 hours a week. Being the only CEP local in B.C. where all the shift workers are on 40 hours, it resulted in 22 new positions at the mill.

Disneyland Paris, entertainment theme park reports: "...Four of the seven unions agreed to reduce their hours from 39 to 35, part of a government plan to cut the nation's high jobless rate. Instead, Park management said the shorter workweek will create 600 new jobs by May 2000. The law, passed last May by the Socialist government of Prime Minister Lionel Jospin, calls for businesses with more than 20 employees to institute the 35-hour workweek. Smaller companies have two more years to comply. Disneyland will benefit from tax cuts and other incentives offered to businesses that act before the deadline."

In Finland the commonest way of the companies to maintain employment is to shorten working hours or reorganise them. Working arrangements consisting of part-time work and short-term employment contracts are very common among women and young persons who are entering working life. In some cases the companies have given up the system for reducing working hours, known as Pekkanen days, as well as the holiday compensations.

The measures have not included the lowering of nominal wages because the above measures have brought enough flexibility to the system.

The Early Emergence

Historically, Kellogg's of breakfast cereals, has for over 50 years offered a 30-hour workweek option since they started operations in 1930 in Battle Creek, Mich., to provide jobs for the heads of 300 families in their headquarters town.

At Ford Motor Co., in April 1931, 32% employees were on the full 5-day week; 18% on four days; and 50% on the 3-day week. Incidentally, most of the Detroit car companies have used Timesizing instead of downsizing in every recession since cars were invented, to retain their skill set.

The idea of shorter workweek to cope with the reduced work is not new. In 1964, labor leader Walter Reuther advocated the concept of "fluctuating adjustment of the workweek" at the United Auto Workers convention in Atlantic City. In the 1970s, an All Unions Committee to Shorten the Workweek was set up with headquarter in Chicago. In 1993 the central organisations reached an agreement on improving employability of young people. This agreement is the most comprehensive agreement on employment. The negotiating parties agreed on new regulations concerning the salaries of young persons on a sector-specific basis. Thus, to sum up, to a management willing to work towards a stable operation, unions and workers are willing to not only cooperate but even show a way.

Nor is Timesizing the only option. Several other modes are available to a management wanting to give alternatives a fair trial. These include:

a) Reassignment, Rotation and Retraining
b) Workflow Reforms
c) Universal pay cuts
d) Longer time incubation/probation period
e) Longer tenure of contract that does not make permanent employment mandatory.
f) Time sizing and shorter, flexible workweek.
g) A mutually agreed flexible wage structure.

The Sin

Sometimes a view is presented that there is a deep-rooted Indian aversion to sacking people, as if it was a sin. One would be willing to give it some credence if one did not know of the examples of withdrawal of work to put psychological pressure to quit, even in the organized sector, and both at the managerial and the worker levels. In addition, many small and medium size organisations are known to obtain an undated resignation letter on the day of joining. Several others are known to build a case file before sacking. A particularly sad case was the humiliating pressure at the aggregate level, wherein the surplus clerical/support staff was put in a room, as if in a concentration camp, for 'display' to visitors, thus defying the theory of sin.

One thing is clear. The Indian private sector is not waiting for this legislative change to bring about improved efficiency through reduction in manpower. This is notwithstanding the general moral responsibility towards the employees that increases with the longevity of the association. The enhanced competition in the new liberal environment is sufficient to force managements to re-examine their operations through means currently available.

Perhaps a quick check on the number of pending cases with the labour commissioners around the country will show as to how many organisations are waiting for the change. A systematic survey will similarly reveal the extent of the problem in the organized sector, both large and small and in the private, public and the international segments.

Thus, one needs to ask for whose benefit is the bubble for layoffs being built.

The Bubble

The one segment where the layoffs are difficult to implement and will continue to be difficult is the Public Enterprises, both central and state owned. This is regardless of the new proposed enactment. These organisations, enduring under the political management of their operations, by and large, carry forward losses without necessarily addressing the issue of productivity improvement. Herein, only VRS is seen as a viable though not necessarily a suitable solution. Other options are not even considered. Will layoffs be accepted as a better solution in place of VRS needs to be checked with the affected parties and their representatives?

While the need to restore operational autonomy and freedom from political interference for these enterprises is “unexceptionable”, there is a lesson to be learnt from the Public Enterprise management in India. This is the need to exercise restraint in recruitment at a time of high profits including under monopolistic conditions. This is often ignored because of the high pressures to 'give' employment without necessarily creating work or adding capacity.

An Agreed Policy

Across the board job cut can not be a solution to improve the year-end bottom line. One needs to look at the longer-term financial health of an enterprise.

Business of course, tends to smell opportunity in all situations. Thus the Head-Hunter organisations are already in fray promising new job referrals and a lobby is developing to help insurance industry with a plea that state should subsidize Lay-off Insurance.

In the new blended economy, thus one needs to address the issue rationally addressing all concerns of the Management, Labour and the General Society. Hopefully, the second National Commission report will be a good beginning in this regard. One change however, which perhaps is long overdue is the substitution of the Labour Commissioner's permission for layoffs, (for which also no known clear guidelines are available), with a clear policy. One way to address the issue at the macro level is to bring Industry, labour and other interest representatives together for evolution of a new policy. At the micro level of a unit, it would mean involving workers and unions in the problem solving exercise. If legislation can make such an exercise a mandatory first step before lay-offs, if only to encourage shop-floor participation, it will be welcome.

The Grand Distinction

Since the layoff spectacle started with airlines, let us re-look at the alternative airlines scenario. Michelle Conlin, writing in Business Week (2001) records that the Southwest Airlines Company, has never in its 30 years history downsized a single employee despite jet fuel spikes, recessions, even the Gulf War.

Even in the days after the WTC attack, while competitors announced job cuts of 20% and more, Southwest executives met in the emergency command center at their Dallas headquarters, planning to cut costs. Growth strategies were scotched. New plane deliveries were delayed. The renovations at the headquarters were scrapped. But layoffs never had to be considered. Said CEO James F. Parker: “We are willing to suffer some damage, even to our stock price, to protect the jobs of our people.” To the Southwest, it’s not altruism at work. They understand that maintaining ranks even in terrible times breeds fierce loyalty, higher productivity, and the innovation needed to enable them to snap back once the economy recovers. In the blended economy, that perhaps is the crux of the matter: layoffs propelled by stock market conditions for short term gains versus organisational stability with an eye on the longer-term financial health of an enterprise and economic responsiveness to the society.

The Grand Slice

At home in Kolkata there is a grand Eastern property which, though eyed severally and covetously, has never been sold. The primary hindrance is considered to be the existing aging manpower. Perhaps with the Group of Ministers’ recommendation, it will now be easy to dispose off this estate. As will be the disinvestment of other Public Enterprises, some of them to be stripped of their liabilities for transformation into BIFR assets. After all this is also a form of altruism.

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