

Facets of Corporate Downsizing in Canada

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Abstract

This research aims to study the impact of downsizing during the recent period of recession and slow economic growth in Canada. It further aims to shed light on the distinct groups of workforce that have been significantly impacted by this process of corporate downsizing. Downsizing has been prevalent in Canada over the past decade, mainly due to the recession of 2008-2011 and due to the rampant use of outsourcing for cheap labor. From the results of this study it was concluded that generally government employees, low wage workers and middle-aged male employees were the groups of workforce that were deeply affected due to the downsizing processes and lay-offs.

Keywords: Downsizing, Organizational Change, Recession, Lay-Offs, Canada

1. Introduction

The downsizing is a process when the structure of a company can be reorganized, and processes can be modified, leading to layoffs among other organizational changes. Therefore, according to Datta et al. (2010, p. 282), downsizing can be viewed as the

“planned set of organizational policies and practices aimed at workforce reduction with the goal of improving firm performance.” The corporate downsizing is typical of many developed countries because this practice is perceived as effective to address the negative economic changes during crises and periods of recession. The problem is in the fact that in Canada, the period of 2008-2011 was characterized by the significant economic recession, and many companies chose the downsizing as a strategy to reduce costs and improve the performance while referring to the lower number of employees (Government of Canada 2015). From this perspective, the important questions to discuss are what features are characteristic of the corporate downsizing in Canada and how companies can address the issue of ‘surviving’ the consequences of the downsizing. The purpose of this paper is to examine the downsizing phenomenon in the context of the Canadian organizations and focus on the approaches to surviving the downsizing problem.

2. Literature Review

The corporate downsizing is a strategy that is followed by the employer when it is necessary to reduce costs associated with retaining the workforce, as well as operational costs (Goesaert, Heinz & Vanormelingen 2015). According to Kalev (2014), employers choose to downsize because they evaluate the costs associated with supporting human resources as high, and they propose the optimization procedures and practices to increase the productivity. Still, there are several approaches to downsizing, and companies can choose to change the work process, apply new approaches, reduce the personnel, refer to outsourcing, or hire only temporary employees (Luan, Tien & Chi 2013; Scott et al. 2011). Goldman (2011) pays attention to the fact that in many cases, the

downsizing is a problem associated with the ineffective leadership when reductions in the workforces are discussed as the only method to address economic pressures. Thus, both external and internal factors are important to influence the layoffs in companies.

In their turn, Munoz-Bullon and Sanchez-Bueno (2010) also note that the downsizing is observed when economic pressures make organizations find new ways of becoming more profitable. McDevitt, Giapponi, and Houston (2013) state that the highest levels of downsizing can be noticed in organizations during the periods of crises and recessions because employers try to use each opportunity to reduce costs and increase profits. Nevertheless, the opponents of the downsizing initiatives state that the positive effects of these strategies are usually short-term because of the pressure of the 'surviving' issue (Van Dierendonck & Jacobs 2012). Thus, the primary goal of the organization that chooses the downsizing is to survive under the impact of disadvantageous economic conditions (Datta et al. 2010; Munoz-Bullon & Sanchez-Bueno 2014). However, Levitt, Wilson, and Gilligan (2008) and Lahner et al. (2014) found that those employees who were not fired because of the corporate downsizing often suffer from the 'survivor syndrome', they are usually unmotivated to work effectively, the effectiveness of their performance can decrease, and they can demonstrate the fear of being fired.

In Canada, the corporate downsizing is perceived as an appropriate strategy to address the economic issues, and the Government of Canada proposed the Work Force Reduction Program, the purpose of which is to reduce the number of employees in organizations while providing them with the compensation and benefits (*Work Force Reduction program due to downsizing* 2016). The Canadian employers also refer to the practice of downsizing as an approach to increasing the profitability of the company

(Chhinzer 2014; Mentzer 2009). However, Lakshman et al. (2014) state that in most cases, it is possible to observe the opposite results because employees are inclined to perceive the companies which use the downsizing procedures negatively, and their productivity can decrease.

3. Research Methods

In order to examine the downsizing phenomenon in Canada during the recent years and with the focus on recessions and surviving tendencies in companies, it was necessary to utilize the quantitative methodology. The descriptive study and analysis were selected as the main method because of the necessity to evaluate the numerical and statistical data retrieved from Statistics Canada, the online database that provides the results of the national surveys (Government of Canada 2015; Government of Canada 2016). In order to answer the research questions and address the purpose of the study, it was necessary to collect the following statistical data: characteristics of employees fired because of downsizing strategies during the recent recession period (2008-2011); the layoff rates during recession periods associated with the downsizing; the number of persons fired because of the downsizing or associated causes in the late part of 2015 and the early part of 2016. The descriptive analysis of these data is important to provide the conclusion regarding the tendencies of downsizing in Canada and their effects on the population influenced by the practice or surviving it.

4. Data Analysis

The data on characteristics of employees who were laid-off during the recent recession period (2008-2011) were selected for the analysis in order to determine features of downsizing in the context of gender, age, region, industry, and occupation.

Table 1 presents the information regarding the gender, age, and location of the workers who were laid-off in 2008-2011.

Table 1. Characteristics of Employees Laid-Off during 2008-2011, Gender, Age, and Region (percent).

Variables	2008 to 2011
Gender	
Male	59.6
Female	40.4
Age group	
15 to 24 years	18.8
25 to 34 years	22.2
35 to 44 years	20.6
45 to 54 years	23.1
55 to 64 years	15.4
Region	
Atlantic Provinces	11.3
Quebec	25.4
Ontario	35.5
Prairie Provinces	5.4
Alberta	10.3
British Columbia	12.1

(Government of Canada 2015).

During the period of 2008-2011, about 60% of male employees were laid-off in comparison to 40% of females. Over 23% of 45-54-year-old employees became victims of the downsizing in comparison to other age groups. In addition, the downsizing tendencies led to firing more than 22% of 25-34-year-old employees who represent the majority of the workforce in Canada. The highest layoff rates were observed in Ontario (35.5%), where many large and small companies chose downsizing in 2008-2011 (Government of Canada 2015). These data indicate that the downsizing during the recession period mostly affected 25-34-year-old and 45-54-year-old employees, possibly

males, and the most problematic situation was observed in Ontario. Table 2 presents the data regarding differences in industries and the occupation of fired employees.

Table 2. Characteristics of Employees Laid-Off during 2008-2011, Industry and Occupation (percent).

Variables	2008 to 2011
Industry	
Primary industries and construction	22.8
Manufacturing	15.1
Retail trade, accommodation, and food services	14.1
High-skill services	14.2
Public services	19.5
Other service-producing industries	14.3
Occupation	
Managers	2.7
Professionals	11.5
Semi-professionals and technicians	7.1
Clerical, sales, and service personnel	34.0
Manual workers and trades personnel	44.7



(Government of Canada 2015).

The highest percentage of layoffs was observed in the primary and construction industries (about 23%). The number of the fired employees was also high in the public service companies (19.5%) because, in these companies, the downsizing is a usual practice. As a result, the clerical staff, the service staff, and the sales staff were fired in the first place. On the contrary, it is possible to note that downsizing tendencies usually do not affect persons taking managerial positions because only about 3% of managers were fired in 2008-2011. These results support the idea that public services and construction companies, as well as employees taking the lowest positions, suffer from the

downsizing directly, when companies from other industries and employees taking high managerial positions usually survive the downsizing.

Figure 1 provides the comparison of the layoff rates typical of three recession periods in Canada which were characterized by the intensive corporate downsizing.

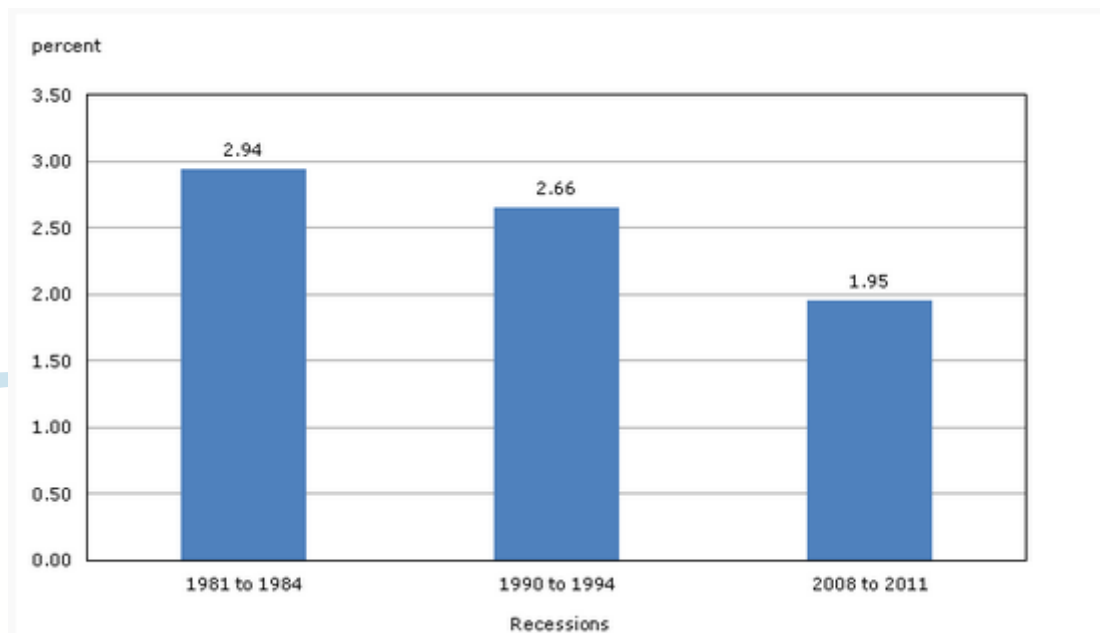


Figure 1. The Layoff Rates for 1981-1984, 1990-1994, and 2008-2011 Recession Periods (percentage) (Government of Canada 2015).

In 1981-1984, the layoff rate was the highest one, and in 2008-2011, it was the minimal (2.94% and 1.95% accordingly) while comparing three recession periods. Therefore, it is possible to state that the corporate downsizing had less negative effects on the workforce employment that they were in the 1980s and 1990s.

Table 3 presents the results of the workforce survey indicating the employees' activities prior to the unemployment that can be associated with the downsizing and other causes during the late part of 2015 and the early part of 2016.

Table 3. The Number of Persons Laid-Off Because of Downsizing or Associated Causes and Their Activities Prior to Unemployment, 2015-2016 (Persons x 1,000).

Prior activity ³	Sex	2015	2016			
		December	January	February	March	April
Total unemployed	Males	778.9	879.0	921.6	909.1	879.0
	Females	512.2	561.9	558.6	563.5	565.8
Temporary layoff	Males	58.3	66.2	85.4	68.7	50.8
	Females	12.1	15.2	11.2	12.2	12.4
Job leavers	Males	57.7	71.9	78.7	63.1	62.9
	Females	40.8	42.0	38.1	38.0	40.9
Job losers permanent layoff	Males	307.1	332.5	333.8	330.4	309.6
	Females	147.8	152.3	150.5	149.6	136.7
Reason for leaving/losing job unknown	Males	78.0	104.9	89.9	89.8	87.7
	Females	47.5	42.3	53.8	42.4	37.1

(Government of Canada 2016).

According to Table 3, the permanent layoff associated with the downsizing was typical of about 300,000-330,000 male Canadians during the period of December 2015-April 2016. For females, the numbers are lower. Thus, about 135,000-152,000 female Canadians were fired in December 2015-April 2016 because of causes associated with the downsizing. The number of fired males is twice as large as the number of laid-off females. This aspect can be explained with references to the fact that companies choosing the downsizing strategies usually employ more male workers, as it is in construction and manufacturing industries.

5. Discussion

The researchers note that the periods of economic crises and recession influence the development of downsizing initiatives (Chhinzer & Currie 2014; Cohen, Coval & Malloy 2011; Datta et al. 2010). The analysis of the data indicates that the downsizing tendencies in 2008-2011 mostly affected middle-aged employees when young employees had the opportunity to survive the downsizing. Furthermore, managers also

had more opportunities to survive in this situation. According to Goldman (2011), the downsizing is a strategy that is used by employers in order to reduce the workforce and achieve the high-level productivity, as well as the improved performance with references to lower costs. Therefore, the corporate downsizing affects sales and temporary positions more actively than the positions of managers. The data regarding the age differences of laid-off employees can be explained with the focus on the fact that the percentage of 15-24-year-old workers in the Canadian companies is not as high as the percentage of 25-44-year-old employees.

In spite of the fact that the corporate downsizing is typical of recession periods, the study results demonstrate that layoff rates for the latest recession period in Canada are the lowest ones. According to Scott et al. (2011), many organizations choose downsizing strategies that are more flexible than previously, and they allow avoiding significant reductions in the workforce. Thus, the Canadian organizations choose the downsizing with references to reorganizing the working processes rather than firing employees (Chhinzer 2014). As a result, the percentage of surviving companies and workers increases significantly. It is important to note that in Canada, the downsizing practices are characterized by such features as the focus on retaining young and qualified employees. From this point, the process of surviving the downsizing issue can be discussed with references to the employees' opportunities to preserve the status and position in the company but with the wider responsibilities and duties. However, in comparison to the other causes leading to the unemployment in Canada, the layoffs associated with downsizing are among the most frequent ones. The study results indicate that the problem is most urgent for males. Chhinzer (2014) states that, in Canada, males represent the

majority of the workforce, and this aspect can explain why men are fired most often while comparing the data for the same period for women and men.

6. Conclusion

While referring to the data analysis, it is possible to state that in the Canadian organizations, the corporate downsizing is mostly observed during the recession periods. Furthermore, the organizations that tend to use the downsizing initiatives are mostly public services companies and large representatives of primary and construction industries. It is also necessary to state that the employees who are laid-off more frequently usually take the lowest positions in companies. The statistics demonstrate that the majority of the fired staff is males. However, currently, the Canadian companies use such downsizing strategies as the application of new working processes and outsourcing in order to provide more employees with opportunities to survive the downsizing practice and remain employed. As a result, the overall layoff rates tend to decrease for Canada in spite of the further use of downsizing procedures.

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