

The hidden costs of layoffs - what companies need to consider

Recent economic events have caused a number of companies to consider how best to downsize teams with the number of weekly layoff announcements ever growing. Layoffs are often the last thing companies turn to, and for good reason; navigating the hidden implications is challenging, and for companies undergoing the process for the first time it can be difficult to predict what lies on the path ahead.

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To help companies that are considering layoffs navigate the process, I was keen to share my thoughts on what companies can do to mitigate some of the risks and hidden implications layoffs generate.

Beyond the immediate financial implications

It's inevitable that companies will initially focus on the immediate financial implications of layoffs, but there are a number of hidden costs that need to be considered. For companies of all sizes, seeking appropriate legal advice early on is tantamount to ensuring every step is considered and outcome predicted.

Productivity and resourcing must be a priority. For most companies, a reduction in headcount will mean activities are dropped by those departing, and remaining employees must fill the void on top of their existing work. Resource will be re-allocated, usually to staff that already have a full plate of existing responsibilities.

Maintaining the morale of remaining employees poses a risk and creates a hidden cost. Layoffs understandably create negative sentiment among those that stay, and some may also feel guilty that their colleagues and friends were made redundant while they were not. This poor sentiment leads to a drop in productivity and innovation, and ultimately creates additional employee turnover further down the line, all of which impacts your bottom line.

How to ensure employees remain motivated

Successful layoff strategies prioritise employee motivation. A good place to start is by creating safe spaces for employees to talk about the concerns they have, validating employees' feelings and empowering individuals to share their perspective in the open, rather than let the same negative sentiment creep in behind the scenes.

Clear and transparent communication goes a long way towards reducing survivor guilt within workforces, and bringing in coaching means that individuals feel supported both professionally and personally in the aftermath of layoffs. The message is that the company is reinvesting in its existing employees, and building a brighter future.

Planning communications

Preparing a communication plan is essential. Companies should assume that all internal communications about layoffs will eventually be shared outside the organisation, and what the leadership communicates will reflect on the company and its brand. For most companies, decisions on layoffs will be made by the leadership team in conjunction with the board, but all stakeholders expect to understand why conclusions were reached and have a practical timeline for what they can expect to happen.

By taking a human-first approach, managers are prepared and given the

tools they need to effectively check-in on the wellbeing of their team members. Using 1-to-1s and team meetings intentionally created to allow people to share their frustrations or fears provides an outlet for employees, and means they know they are being heard. Investing in team coaching and individual resilience-focused coaching helps develop a culture of openness, while improving productivity and output that will lead to a higher sense of shared achievement.

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