

# Softening the blow: Incorporating employee perceptions of justice into best practices for layoffs during the COVID-19 pandemic

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## abstract

COVID-19 has led to staggering numbers of people being laid off or furloughed. The way these decisions are communicated to employees can critically affect how workers receive and process the news. Specifically, if employees perceive layoff decisions as unfair, both those who are let go and those who remain may suffer untoward mental and physical effects from the layoffs, and these effects, in turn, can have negative consequences for the organization (such as reputational damage). In this article, we draw on prior research into perceptions of justice—including distributive justice (focused on how resources and burdens are allocated), procedural justice (focused on how decisions are made and implemented), and interactional justice (focused on how decisions are communicated)—to offer behaviorally based policy recommendations that organizational leaders and managers can apply to buffer some of the negative effects that layoff decisions can have on both employees and organizations.

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Bilotta, I., Cheng, S. K., Ng, L. C., Corrington, A. R., Watson, I., King, E. B., & Hebl, M. R. (2020). Softening the blow: Incorporating employee perceptions of justice into best practices for layoffs during the COVID-19 pandemic. *Behavioral Science & Policy*. Retrieved from [https://behavioralpolicy.org/journal\\_issue/covid-19/](https://behavioralpolicy.org/journal_issue/covid-19/)

Since the COVID-19 crisis took hold in the United States, more than 40 million workers have filed for unemployment, the largest escalation in jobless claims since the Department of Labor began tracking the data in 1967.<sup>1</sup> Many behemoth organizations, including Disney, Macy's, Marriott International, and Boeing, have furloughed or laid off unprecedented numbers of employees.<sup>2</sup> How they broke the news to employees has varied dramatically. For example, Bird, the electric scooter company, laid off 406 workers (30% of its employees) in a two-minute Zoom webinar via a reportedly "robotic-sounding, disembodied voice"<sup>3,4</sup>—leading popular press outlets to highlight its insensitivity. In contrast, when Airbnb laid off nearly 25% of its workforce, the CEO not only wrote a candid letter to employees about the layoff decision process, he also created an alumni talent directory, which contained laid-off employees' job application materials (such as resumes and exemplar work) and tasked Airbnb recruiters with helping laid-off employees pursue new employment.<sup>5</sup>

The ways that organizations convey job-loss decisions can strongly affect how employees receive and process the decisions. Research suggests that when employees perceive that they have been treated justly, they fare better in coping with job losses; the perception of fairness can also help to maintain the morale of the employees who remain behind and buttress the functioning and reputation of the organization as a whole. At a time when downsizing might be unavoidable, it is critical that organizations adopt just and evidence-based practices for laying off and furloughing employees. In this article, we offer justice-oriented, behaviorally based policy recommendations for the organizational representatives who have to make and communicate downsizing decisions during the COVID-19 pandemic.

## The Psychological Science of Layoffs

When an economic downturn forces organizational authorities to lay off employees, the event will inevitably be seriously stressful, even traumatic, for the affected employees (the layoff

victims). After all, jobs are central to people's financial well-being and psychological identities.<sup>6</sup> Dismissed employees often suffer declines in their mental and physical health<sup>7,8</sup> and, on reemployment, report greater job insecurity, distrust of the employer, cynicism, and intentions to leave.<sup>9,10</sup>

The layoff victims are certainly the worst off in these scenarios, but others—including the layoff *agents* (the individuals who plan for or carry out the downsizing), the layoff *survivors* (the workers who do not lose their jobs), and those on temporary furlough—may also experience negative outcomes related to the layoff decisions. The layoff agents often feel distress and sorrow and may cope by emotionally, physically, and cognitively distancing themselves from the layoff task itself and from the layoff victims.<sup>11–13</sup> For instance, they may avoid empathizing with the layoff victims, limit the time spent in the layoff discussions, and reframe the layoffs in their own minds as a normal part of the work world rather than as a tragedy for the individuals being let go. Layoff survivors, for their part, contend with heightened *job insecurity*—worry over whether their job will persist in the future—which can make them vulnerable to declines in mental and physical health, as well as to decreased job satisfaction, performance, and commitment to the organization.<sup>14</sup> Furloughs ideally prevent mass layoffs, yet the possibility of returning to work eventually does not prevent furloughed employees from feeling insecure about their job and income prospects, nor does it protect them from feeling heightened stress, distrust, and anger over a violation of the *psychological contract*—the assumption that in exchange for diligent work, an employer will continue one's employment.<sup>15</sup> These feelings can cause lasting negative ramifications for life satisfaction, burnout, and the ability to cope with work demands that interfere with home life (and vice versa).<sup>16</sup>

Organizations themselves can also experience negative outcomes related to layoff decisions—among them, diminished financial performance,<sup>17,18</sup> impaired corporate reputation,<sup>19</sup> and decreased customer satisfaction.<sup>20</sup> Announcements of mass layoffs can elicit

strong negative reactions from investors and harm downstream perceptions of firms' trustworthiness and integrity.<sup>21</sup>

Although employees are not the only ones who experience negative consequences from layoffs and furloughs, their mental and physical well-being should certainly be a priority for layoff agents when downsizing appears unavoidable. In the next section, we expand on why attending to employees' perceptions of justice is an important part of that effort and spell out what those perceptions entail. We speak primarily of layoffs, but most of the recommendations also relate to the just handling of furloughs.

## Why Justice Perceptions Are Important During Layoffs

People's perception of whether they have been treated justly is subjective—it depends on whether they consider the processes and outcomes surrounding a decision to be fair.<sup>22</sup> These fairness perceptions result from conscious or unconscious considerations of three different kinds of justice: distributive, procedural, and interactional. In the context of layoffs, distributive justice relates to how resources and burdens are allocated; people want the outcomes they experience to be commensurate with the amount of time, effort, and other resources they have invested in something, and they want their outcome-to-input ratio to be similar to others' ratios.<sup>23</sup> Procedural justice is concerned with how decisions are made or implemented; often, employees perceive a decision as procedurally unfair if they do not feel that they have had a voice in the process (such as if they have not had the opportunity to provide feedback) or if they are not provided with an adequate explanation for why a decision was made. Interactional justice is concerned with how employees feel that they are treated during the decision process and after the decision has been made.

Research has demonstrated the importance of each of these types of justice in how people respond to layoff decisions. If organizations are intentional about providing support and resources to their laid-off employees

(distributive justice), delivering layoff decisions in a transparent and logical manner (procedural justice), and demonstrating concern for the employees' dignity and well-being (interactional justice), they can significantly buffer the negative effects of layoffs on the emotional responses and organizational commitment of both employees who are let go and those who remain.<sup>24–31</sup>

## Managerial & Organizational Takeaways

Drawing on the principles of justice, we offer managers and organizations the following recommendations.

### Before the Layoffs

- Organizational leadership should consider all other options before turning to layoffs and make sure that employees know that they are doing so. Such options can include having CEOs and other organizational leaders forgo or significantly reduce their salaries during the pandemic<sup>2</sup> and using other strategies to distribute the financial burdens—for example, reduced hours, job sharing, bonus freezes, unpaid leave, paused retirement fund contributions, and reduced vacation days.<sup>32</sup>
- If possible, ask employees for their ideas on how to cut costs; this action may be most practical for small business owners. Organizational leaders may feel wary of this approach, worrying that contemplating all the proposals will be overwhelming; however, crowdsourcing approaches can allow employees to feel as if they have a voice in the process and may spark innovative solutions. When asking employees for ideas, be clear about how leadership plans to choose among the suggestions, such as by favoring lower risk approaches that have been proven to cut costs or suggestions that offer the best chances for saving jobs.<sup>32</sup> The final options can even be presented to the employees so that they can indicate their preferences.
- If layoffs become inevitable, leadership should be as transparent as possible, informing employees of roughly when the

layoffs will begin and giving them a reasonable span of time to absorb the information. Although organizational leaders may not know whether they will have to resort to layoffs, providing honest and regular updates will help workers feel more prepared for the bad news if it comes.

- Before layoff conversations begin, decide who will deliver the news to employees and when these conversations will occur. Although the conversations are difficult, it is best for direct supervisors to hold them, rather than external consultants. These conversations should be private, one-on-one discussions, not held in a group. Although leaders may find it easier to conduct a group video call, employees will appreciate being treated with respect and having the opportunity to ask questions.
- Those who will deliver the layoff decision to employees should be clear on what information will be communicated and how much detail will be shared, so that different employees do not receive disparate messages. The layoff agents should also know the answers to common questions, such as the timing of the employees' last paycheck, what benefits to expect, how much severance will be paid,<sup>33</sup> and what resources and support will be offered (for example, whether there will be outplacement services and well-being resources). Organizational leadership should host a meeting or training session for those delivering these decisions, to ensure that everyone is on the same page.
- Before any layoff conversations are held, leadership should send an organization-wide message to bring all employees up to speed on the situation. Organizations can follow the lead of the CEOs of Airbnb and Yelp, who sent out messages to their employees discussing how their organizations came to the decision to lay off employees, their reduction process, the benefits and resources that would be available to laid-off employees, and exactly

when and how layoff conversations would occur.<sup>34,35</sup>

### During the Layoff Conversation

- Those who deliver layoff decisions should ensure that they are in a space that allows them to give these conversations their full attention. For instance, if these layoff agents are working from home, they should warn family members to not bother them at the times when the conversations will be held. It is not always feasible to create a distraction-free environment; however, out of respect for the employees being laid off, it is important to minimize as many distractions as possible.
- Be clear and concise, so employees are not left confused by unnecessary ambiguity. Explain the decision process surrounding the employee's layoff and communicate clear next steps (for instance, when their last day is, whether they can expect to be hired back at a later date, when and how they should return any company property or retrieve their belongings from the office, how the company will support them moving forward, and to whom they can reach out if they have questions or concerns). During the COVID-19 pandemic, organizations may be uncertain about many details, such as whether they will be able to rehire laid-off employees. Even then, those delivering layoff decisions should be as transparent as possible, such as by specifying how they will keep laid-off employees updated if future job opportunities arise. In addition, having a script and practicing beforehand can help ensure that employees are given all of the information they need to know.
- Acknowledge the difficulty of being laid off during this time and of potentially not being able to say goodbye to colleagues in person. Those delivering layoff decisions should convey that they and the organization are very grateful for the employee's work and contributions and still care for them. Give employees an opportunity to respond and ask questions.

- At the organizational level, company leaders should ensure that laid-off employees are provided with support and resources, such as severance pay and outplacement services. As an example, Airbnb provided laid-off employees with at least 14 weeks of base pay, one year of health insurance, four months of mental health support, an alumni talent directory and placement team, career services through RiseSmart, and company laptops.<sup>35</sup> Many other companies—among them Under Armour, Caesars Entertainment, Marriott, and Macy’s—have provided, for varying lengths of time, health benefits for furloughed or laid-off employees.<sup>36</sup> If organizations do not have the economic ability to provide continued benefits and supports, they can give laid-off employees a list of external resources. Managers can also offer to write letters of recommendation or reach out to others in their personal networks to see if they are hiring.

#### After the Layoffs

- Check in with the layoff survivors. They will likely be feeling a strong mix of emotions (such as sadness, gratitude, and guilt for still having their jobs),<sup>14</sup> as well as continuing uncertainty about the future.
- Managers can conduct one-on-one check-ins, and organizational leaders should continue to send regular updates and

messages to demonstrate care for the layoff survivors. Leadership can also hold an open forum to discuss any remaining employee concerns; such forums demonstrate a continued interest in the employees’ well-being and effort to provide transparency.

## Conclusion

The COVID-19 pandemic has caused dramatic lifestyle, economic, psychological, and behavioral changes globally. Unfortunately, the changes include a widespread economic recession that has resulted in organizations having to furlough and lay off employees in unprecedented numbers. We suggest that managers and organizations leverage principles of distributive, procedural, and interactional justice—treating employees equitably and communicating layoff decisions clearly and compassionately. By enacting these policy suggestions, managers will improve the ability of the layoff and furlough victims, the remaining employees, and the broader organization to function and recover in the wake of this devastating pandemic.

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