

Sailing into uncharted territory: A look into unemployment and downsizing

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Abstract

The researcher has tried to correlate downsizing and unemployment in the current research paper by taking a case of Steel Authority of India Limited (SAIL). SAIL is one of the large state-owned steel making company and one of the top steel makers in the world. Past ten years data is analyzed to reveal its downsizing pattern. The study shows that SAIL is not following nation friendly policies, particularly in downsizing which may contribute to a problem of super unemployment in the nation. The no. of employees is decreasing every year at a fast rate and this is the high time when government of India must design and implement an appropriate downsizing policy "One India one downsizing policy" to avoid the situation of super unemployment.

Keywords: downsizing, super unemployment, employment

1. Introduction

Definitions-Downsizing is the lifelong trimming of man power in a business organization and it is very common and popular cost cutting technique prevalent in Indian companies.

Unemployment is a state where a person of working age is not able to get a job but at the same time interested to be in a full time job.

Super Unemployment is a situation of extreme and unmanageable level of unemployment.

Since independence our nation is struggling to remove the tag of a developing nation due to three major problem areas, namely; poverty, corruption and unemployment. Various authors have stated the reasons of unemployment as- rapid population growth, decline of cottage industries, inadequate employment planning, defective education, lack of transport and communication, limited land, slow economic growth, seasonal occupations and caste system. But a major reason has not yet been quoted by any author is the practice of downsizing in corporate sector. In this research article a special case of steel authority of India Limited has been presented.

2. Objectives

- Analyze and measure the downsizing trend of SAIL.
- Forecast the future downsizing trend on the basis of current trend.
- Explain downsizing as a major cause of unemployment in India.
- Develop a relationship between downsizing and unemployment.

3. Literature Review

Downsizing is defined as a "purposeful reduction in the size of an organization's workforce" (Spreitzer & Mishra). Brockner categorically states that it refers to permanent, involuntary separation of employees. According to Freeman & Cameron also, downsizing is not something that happens to an organization, but is something that some of the organization members (top management per se) undertake purposively. The key attributes of downsizing given by Freeman & Cameron are

as follows: a) It is an intentional endeavor b) It usually involves reductions in personnel c) It is focused on improving the efficiency or effectiveness of the organization d) It affects work processes sometimes also termed as rightsizing, reorganization, restructuring, delayering, and rationalization, downsizing is seen as an important techno-structural Organization Development (OD) intervention (Cummings & Worley). Downsizing may involve, one or many of the following processes, a) Loss of individual security, owing to layoffs and job losses b) Emergence of new organizational form c) Re-allocation of resources and power d) Increased expectations, responsibilities and workload and need to re-learn and develop new skills among survivors of the exercise, and e) Redundancy among those who do not get laid off (the survivors).

4. Research Methodology

This empirical research is based on the secondary data published in annual reports and official website. The data for a period of ten years from 2004-05 to 2013-14 of Steel Authority Of India Limited is analyzed. To supplement the data so collected from annual reports and accounts, other publications, newspapers, journals and magazines have also been consulted for this research. Simple table, graph and Microsoft office package is used for the purpose.

5. Discussion

The main aim of every business is to make profits by employing a set of assets, namely current, fixed and human. The profitability of a business entirely depends upon its productive employees who convert input into output, sell the same and make a business more profitable year over year. But now a day it has become a fashion to trim the man power by terminating them permanently from the organization as a cost cutting strategy. This practice is termed as downsizing but management defines the same as rightsizing, reorganization, restructuring or delayering. It leads to a problem of unemployment at a large scale.

In Table 1 the financial data of SAIL of last ten years is analyzed which shows a continuous increase in capital employed, sales, value of human assets and per employee expenditure. But the no. of employees is decreasing every year. From this table we can identify how rapidly SAIL is firing the employees, which is not the sign of good corporate

governance. In the year 2004-05 the employees were 143075 which are squeezed to 97897 in 2013-14. It means in the past 10 years the company has terminated 45178 employees and if the same trend is being followed, this company will have 47855 employees left in 2023-24, 2677 in 2033-34 and ZERO in 2034-35.

Table 1: Year over year growth of Sail

(A) S. No.	(B) Year	(C) Capital Employed (Cr)	(D) Sales (Cr)	(E) Human Assets (Cr)	(F) No. of Employees	(G) E/F Spending Per employee (Lac)
1	2013-14	67947	51891.9	9578.51	97897	9.784273
2	2012-13	62622	49384.57	8637.2	101878	8.477983
3	2011-12	56131	50375.02	7932.05	106004	7.482784
4	2010-11	56444	47040.5	7623.33	110794	6.880634
5	2009-10	49827.95	43934.7	5416.81	116950	4.631732
6	2008-09	35711	48681.39	8401.51	121295	6.92651
7	2007-08	26049.33	45555.34	7919.02	128804	6.148117
8	2006-07	21364.52	39188.66	5087.42	132973	3.825905
9	2005-06	16684	32279.75	4156.69	138211	3.007496
10	2004-05	15781.51	31800.02	3811.45	143075	2.663952

On the basis of Table 1, a graph named figure 1 is prepared which narrates the true picture of downsizing strategy of SAIL. Axis Y is representing the no. of employees and axis X is showing different years.

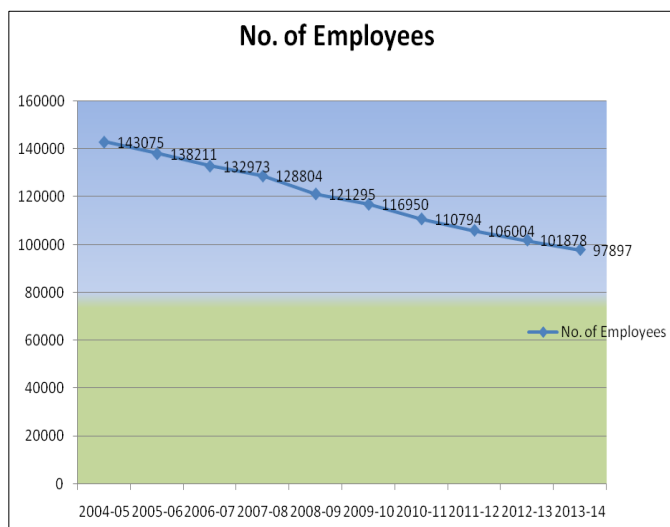


Fig 1: Trend of downsizing (2004-14)

Here the graph is continuously sloping downwards every year; two more graphs can be derived with the same downsizing pattern. Figure 2 represents the period of next 10 years and anticipating the employee’s strength as 47855 by the end of 2024. Figure 3 is covering next 10 years (from 2024-25 to 2033-34) and one additional year (2034-35) in which the number of employees comes down to ZERO.

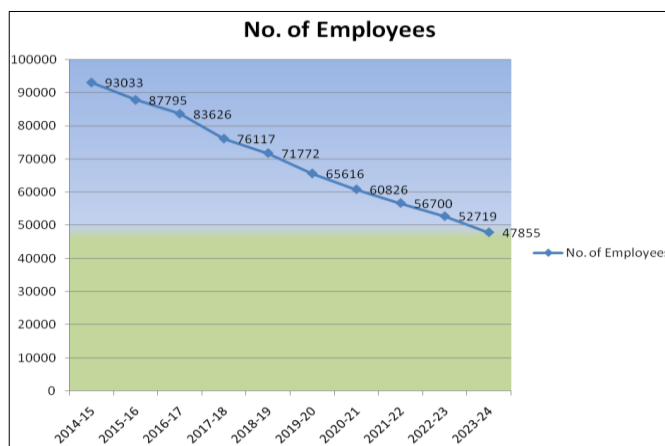


Fig 2: Anticipated Trend of downsizing (2014-24)

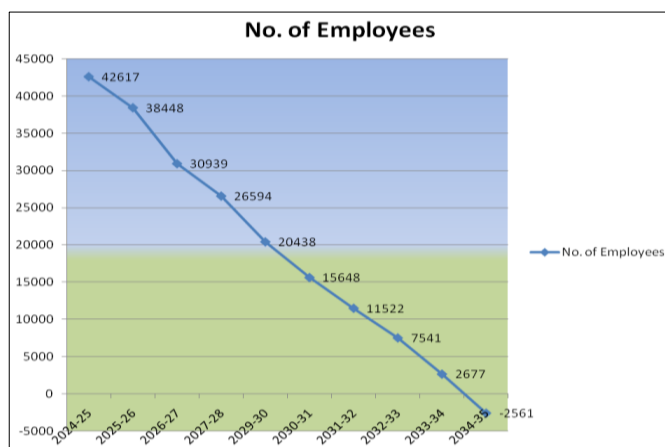


Fig 3: Anticipated Trend of downsizing (2024-35)

6. Findings and Results

- SAIL terminates around 4500-5000 employees annually.
- The lowest downsizing rate is 3.13522294% in 2007-08.
- The highest downsizing rate is 5.82978789 in the year 2008-09.
- A total of 45178 employees has been terminated from 2004-05 to 2013-14.
- Total percentage terminated from 2004-05 to 2013-14 is 31.57644592
- It is also assumed that in future SAIL will adopt the same strategy so the no. of employees will be 47855 in the year 2023-24 as per the figure 2.
- The no. of employees will be 2677 in the year 2033-34 as per the figure 3.
- In the year 2034-35 there will be no employee in the company as per the figure 3.
- SAIL may contribute 97897 unemployed persons to the nation in the next 21 years.
- Other companies are also following the same strategy which may soon lead to a problem of super unemployment.
- Unemployment and downsizing have the direct relationship and downsizing is contributing to the problem of unemployment at a large extent.

7. Recommendation and Conclusion

Unemployment is a very serious problem which our nation is facing since independence. Downsizing and unemployment has a positive correlation, more termination means more unemployment, and less termination leads to less unemployment resulting thereby, a balanced economy. Government of India must frame a downsizing policy by elaborating the downsizing limits separately for public and private companies. Annual report must be sent by each company stating, downsizing norms are strictly being followed by them during the previous year. A clause can also be included in the corporate social responsibility that no company will terminate beyond a specific limit set by the government of India.

8. Limitations

The present study is only restricted to SAIL and the limited period of ten years, from 2004-05 to 2013-14 is been considered. Data is taken from the published sources; error in the same may affect the findings and results.

9. Scope for future research

Downsizing as a cause of unemployment is a very new topic to be researched so more and more work can be done on this topic. Downsizing pattern of all the companies whether public or private can be measured by researchers in order to frame a suitable downsizing policy and can be named as "One India one downsizing policy".

10. References

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