

Research on the Problems and Countermeasures of Economic Layoffs in Enterprises*

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Abstract—The global economy has been depressed and declining, and Chinese companies have also been affected. In this situation, many enterprises have carried out large-scale economic layoffs. The economic layoff is an effective way for enterprises to reduce production costs and relieve operating pressure. However, economic layoffs directly involve the vital interests of the enterprises and the employees, and the imperfect system and the non-professional operation can bring a lot of problems to the enterprises, the employees and the society. Therefore, it is necessary to strengthen the restriction and standardization of economic layoffs in enterprises, take feasible management countermeasures to resolve the crisis of layoffs in enterprises. This paper analyzes the problems, reasons and countermeasures of economic layoffs in enterprises of China, and puts forward some targeted suggestions for improving economic layoffs in enterprises.

Keywords—*economic layoff; layoff standards; legal norms; human resource management; enterprises*

I. INTRODUCTION

In recent years, the global economy is in the doldrums and downward trend, and various industries have changed from strategic expansion to strategic contraction. Economic operation of China has encountered a lot of shocks and challenges, and the pressure of economic growth continues to increase. Due to rising labor costs and other factors, some enterprises have to face closure. At this point, some unailing companies are also thinking about how to cope with the current economic situation. Economic layoffs are undoubtedly a way for enterprises to cut labor costs. Economic layoff refers to the large-scale layoffs carried out in order to effectively resist the difficulties in the production and operation of enterprises. Enterprises use layoffs to reduce redundancy and maintain their own survival and development.

Economic layoffs are different from structural layoffs caused by changes in the business direction and products or services provided by enterprises, resulting in the restructuring, separation and abolition of internal organizations. Economic layoffs are also different from the optimal layoffs of unqualified employees according to the results of performance appraisal in order to maintain the

quality of human resources. In September 2019, the Chinese Academy of Social Sciences released a nationwide market survey entitled "Human Resources Management in the Context of the Economic Crisis". Nearly 200 enterprises with annual turnover of more than 100 million yuan participated in the survey. The results showed that more than 60 percent of companies were preparing to cut jobs or pay, and many companies without similar plans were prepared to take direct cuts in human resources management costs.

II. MAIN PROBLEMS EXISTING IN ECONOMIC LAYOFFS OF ENTERPRISES

In the global economic downturn, the income of enterprises to adopt economic layoffs is obvious. Through layoffs, the personnel cost and the operating cost can be reduced, so that enterprises can optimize the matching relationship between people and posts. However, economic layoffs bring a lot of negative effects to enterprises while bringing significant positive benefits.

A. Blindness for Layoffs

In the face of the crisis, many enterprises immediately take layoffs without rational analysis and in-depth thinking, and do not abide by the layoff procedures and conditions in the process of layoffs. Moreover, due to the lack of experience in large-scale layoffs, there is a significant side-effect, such as the deterioration of industrial relations, the damage of the brands, etc. Many enterprises adopt blind follow-up way to lay off workers, which seriously discourages the enthusiasm of employees and weakens the sense of belonging of employees. At the same time, when the economic situation improves, they face a significant cost of recruiting new employees. Some enterprises perform economic layoffs in a disguised form, mainly by reducing pay, allowing employees to leave without pay or to transform their jobs and working environment without consultation with the workers. Some enterprises have formulated harsh and unreasonable regulations, and the workers are laid off in violation of the regulations. Enterprises regard their rules as superior to labor laws, but do not know that unreasonable rules and regulations are not protected by law.

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B. Lack of Unified Layoff Standards

Some enterprises layoffs are too hasty, lack of unified layoff standards, and do not have a perfect performance appraisal system. Many enterprises use a "one-size-fits-all" approach, that is a unified reduction of staff in a certain proportion. In some enterprises, employees reach a certain age are abolished, and in others, all employees of a certain department are eliminated. This way of layoffs is simple and low cost, but too rigid and lack of flexibility. This way does not take into account the ability and performance of employees. While some employees with poor or older work performance are laid off, the technical backbone and high-quality managers of the enterprise are also easy to be laid off. This will directly weaken the operational efficiency of enterprises, but also easily lead to the leakage of enterprise secrets. This may affect the core competitiveness of enterprises and cause the value of human resources to be greatly reduced. This exposes an unfair process of processing, which can easily lead to dissatisfaction and contradiction of employees.

C. Protected Unlaid Leaders

The abolition of leaders should have been the same as that of ordinary employees, but some enterprises have not done so. Managers have become protected objects, and there has been a strange phenomenon of laying off only ordinary employees. The principle of setting up posts as needed and combining virtue and talent is the key to employing people of enterprises, but some enterprises have unhealthy tendencies in fixing posts and employing people. Individual leaders set out from narrow personal interests and use their power to set posts and transfer posts at will. They have defined a range and are based on their own relationship. For those who are close to their own, they will do everything they can to retain or reuse. They cut off those who worked in a down-to-earth manner and had a common relationship with leaders. This will cause employees to lose confidence in enterprises, and cannot contribute to the sustainable development of enterprises with one heart and one mind.

D. Psychologically Affected Retained Employees

Layoffs have a negative impact on the psychological and organizational relationship of employees. After layoffs, whether hired or left behind, their psychology is affected. And the loyalty of the remaining employees will be greatly affected. The employees left behind were unfamiliar with the work of the laid-off workers, so the working hours were extended. Under both physical and psychological pressure, they complain about the company, resulting in reduced productivity. Many studies have shown that after layoffs, retained workers become narrow-minded, demoralized and distrustful of leadership, creating negative psychology among survivors. These phenomena are called Survivor Syndrome. The psychological impact of layoffs on retained employees comes from two aspects. On the one hand, insecurity will affect the enthusiasm of retained employees. Economic layoffs can make employees feel insecure, with a surge in crisis and stress. In this atmosphere, employees will take wait-and-see, wait or find other ways out and other

negative measures. On the other hand, whether the layoff operation process is full of humanization will affect the loyalty of retained employees to enterprises. When enterprises have difficulties and need to lay off workers, they need to communicate with the employees, go through the relevant procedures in accordance with the legal procedures, and help the employees to do a good job in the transfer of work.

E. Damaged Public Image of Enterprises

Layoffs are an important issue widely concerned by the society, and the layoffs of well-known enterprises are the focus of the news media. This can easily lead to the impression that enterprises lack social responsibility, thereby weakening their brand price and social image in the market. Once the improper layoff occurs, it will immediately weaken the image and value of enterprises, and then affect the development of the market. Economic layoffs will also have a negative impact on the sales of enterprises, resulting in consumers will worry about the quality of products and after-sales service problems and choose to replace brand products. This will lead to the stagnation of enterprise products and the decline of sales revenue. The cohesion of corporate culture will also be weakened by layoffs. Employees will think that such enterprises only pay attention to immediate interests and doubt the future development of enterprises. The economic layoffs of these enterprises focus on the promotion of hard power such as financial assets, resources, profit margins and so on, neglecting the soft power such as corporate image, brand, word of mouth, culture, psychological contract and so on. This situation has seriously affected the competitiveness of enterprises.

III. ANALYSIS OF THE CAUSES OF ECONOMIC LAYOFFS IN ENTERPRISES

A. Imperfect Laws Prescribing in Economic Layoffs of China

At present, there are still many imperfections in the provisions of Chinese law on economic layoffs, such as the conditions, procedures, restrictive and prohibitive provisions of layoffs. Many enterprises do not understand the law and take advantage of the operating crisis to lay off workers. This will cause employees to be dissatisfied with these enterprises and resort to arbitration or litigation against the enterprise. On the other hand, arbitrators and judges all over the country are uncertain and inconsistent in their understanding of economic layoffs. This also leads to a great risk of legal uncertainty for enterprises and employees in the process of arbitration or litigation. The operation of the economic layoff system in the Labor Contract Law is not strong, which has been greatly questioned in the following aspects. First of all, the reasons for economic layoffs are not clear. Second, there is a vague standard for the number of layoffs. Third, there is a problem of irregular layoff procedures. Fourth, enterprises have not complied with the prohibition of layoffs.

B. Inadequate Supervision of the Labour Administrative Department

Although the Labor Contract Law stipulates that the labor administrative department shall be responsible for the supervision and inspection of the labor contract system, due to the huge amount of business, there are many deficiencies in the management and supervision of the labor administrative department. For example, the complaint of employees is reasonable and legal, and the labor administration department shall arbitrate according to law and order the employer to correct and pay compensation. However, their punishment to employers is not enough, but also lack of guidance to the standardized management of enterprises. At present, the management of employees in some enterprises in China has not risen to the height of human resources. Specifically, the employment system of enterprises is not standard, they lack the quantitative assessment data of employees, and they cannot clearly evaluate whether the employees are competent or not. As a result, economic layoffs lack reliable data to support whether employees stay or not. In this regard, it is urgent for the labor administrative department to strengthen supervision and further improve and complete the relevant provisions.

C. Inadequate Social Security System

Most of the problems caused by economic layoffs are closely related to the inadequate social security system. A large number of temporary workers in China are not included in the social security system, and the national social security system cannot support massive layoffs. The social security system is not yet perfect and the system is not yet adequate. Social insurance coverage is narrow, and rural social pension insurance is in the exploratory stage. The obvious shortage of social security funds, coupled with the imperfect policies and measures related to layoffs, lead to many employees facing a certain degree of living and employment difficulties after being laid off by enterprises. Because of the large number and wide distribution of economic layoffs in enterprises, great pressure has been put on the existing social security system, and the increasingly severe employment situation has also been aggravated.

D. Backward Human Resources Management in Enterprises

Many small and medium-sized enterprises in China have backward management level and single management methods, which cannot cope with the sudden attack of business crisis. Many enterprise systems are not perfect, under the management mode of "rule by man", employees do not have clear working standards and standardized processes. The level of management at all levels is uneven, the management mode is extensive, and there is often nothing to do in the face of crisis. The control of labor cost and the treatment of idle posts by the managers of enterprises eventually lead to the random placement and one-size-fits-all when layoffs occur. At the same time, enterprises also lack of psychological counseling for employees, causing contradictions among employees. Specifically, enterprises lack humanistic care for employee management and ignore

flexible management methods. The internal communication mechanism is not perfect, which leads to the neglect of the psychological feelings of laid-off employees and retained employees in the economic layoffs.

E. Backward Awareness of Safeguarding the Rights of Employees

Combined with judicial practice cases, we analyze the psychology of laid-off employees, and find that the awareness of safeguarding the rights is weak when they are laid off illegally by enterprises. The situation of workers in a weak position has prompted enterprises to take risks and lay off workers illegally. At the time of recruitment, many enterprises have made unreasonable or infringed upon the rights of workers, and many employees choose to swallow their anger. In addition, when some enterprises carry out illegal economic layoffs, there are some bad phenomena, such as no financial compensation or arrears of compensation to the laid-off employees. The lack of awareness of safeguarding the rights of employees has led to more and more serious layoffs in enterprises. Some employees do not know the way to strive for their legitimate rights and interests, and when the interests are damaged, they have not complained to the Labor Bureau, nor apply for labor arbitration through the arbitration authorities. In the process of safeguarding their rights, there are many legal aid agencies or legal workers who will help the employees, but they have not made good use of this approach. Therefore, as long as the awareness of rights protection is enhanced, the legitimate rights and interests of employees will not be so vulnerable.

IV. COUNTERMEASURES TO OPTIMIZE ECONOMIC LAYOFFS OF ENTERPRISES

In the operation movement, enterprises must have the management strategy adjustment situation. Layoffs under the guidance of the overall strategy are necessary and understandable. However, in order to play a good role in layoffs, enterprises need to implement under the guidance of the overall strategy and try their best to overcome its negative impact.

A. Perfecting the Legal System of Economic Layoffs

The improvement of the legal system of economic layoffs can guarantee the stability of the labor relations, and help the enterprises to get through the difficulties smoothly. The legal system of economic layoffs based on the Labor contract Law is facing the challenge of labor problems caused by the economic crisis under the new situation, and the problem of lack of legislation has emerged. In order to ensure the workers to obtain the corresponding economic compensation smoothly, the implementation of the labor contract law needs to be supplemented by the relevant matching laws and regulations. For example, the establishment of a regulation with the labor economic compensation system as the main content, such a supporting law can assist the effective implementation of the labor contract law. At the same time, it can also eliminate the social misunderstanding of the Labor contract Law, and

finally achieve the purpose of effectively protecting the legitimate rights and interests of employees.

Although economic layoffs are helpless for enterprises in a special period, they should also be carried out in accordance with the law and must not become a shield for infringing the legitimate rights and interests of employees. The state may reconstruct the legal system of economic layoffs that meet the requirements of reality, either by amending the regulations on economic layoffs of enterprises or by formulating the measures for economic layoffs of enterprises.

B. Improving the Social Security System

Government departments should strengthen their efforts to further improve the social security system. The government can take the number of old-age insurance participants as a binding index and gradually bring urban employees into the scope of coverage. The government implements the state policy on social insurance subsidies to help people with employment difficulties participate in insurance contributions. By increasing financial investment and transfer payment, the government can further enrich unemployment insurance and unemployment relief funds, and strive to solve the problems of short time, small scale, weak investment and heavy burden of social security funds in China. It can also increase social security coverage, simplify the social security payment process, improve the living standards of employees during the unemployment period, and strengthen the buffer of unemployment security.

At the same time, the government has increased the reemployment training for unemployed employees, widened the reemployment channels, and eliminated the problem of staff insecurity and no access to reemployment after enterprise layoffs. Employment security is a policy formulated and implemented by the state to protect the labor rights of workers, and it is an important part of the national social and economic policy system. It plays an important role in economic development, social progress and the effective utilization of labor resources. The government should formulate a scientific employment security policy that is in line with the national conditions and can reflect the requirements of the labor market. This can increase jobs, solve the unemployment problem, and effectively promote full employment. This will also provide more applicable space for economic layoffs.

C. Establishing Scientific Layoff Standards

First of all, enterprises should have an objective and accurate grasp of the scale and quantity of economic layoffs. To this end, enterprises should first clarify the strategic objectives, and then decide the organization arrangements. The enterprise should really take the business as the center, set up the organization, the position and the personnel assignment according to the business. Second, there should be an appropriate proportion of economic layoffs. The development of enterprises and the improvement of efficiency depend on the balance of production, supply and marketing, people and property. Through layoffs, enterprises can make the distribution of all kinds of employees tend to

be coordinated in quantity, quality and structure, in order to improve the utilization efficiency and economic benefit of human resources. Finally, enterprises should formulate scientific and reasonable layoff standards. The traditional age-based economic layoff method is characterized by simplicity and maneuverability. However, there are inequalities in using the same age standard to solve the problems of employees with different positions and different skills. The process of economic layoffs should consider three aspects of the basis: the contribution value of the department, the importance of the position, and the qualifications and abilities of the staff. The qualifications and abilities of employees are the most critical parts, focusing on the performance and potential of employees.

Enterprises must proceed from reality and establish a scientific and objective evaluation system. Enterprises should focus on the actual needs of future development, carry out itemized evaluation and empower comprehensive of employees according to morality, ability, performance, diligence, age and other indicators. Only in this way can we scientifically determine the candidates for reduction and conform to the basic principles of survival of the fittest and competition for posts. In economic layoffs, enterprises should not only see the immediate development, but also focus on the future development. The standard of layoffs should be changed from "who to be laid off" to "what kind of talent team will be needed in the future". Only by knowing what talents are needed for future development, can enterprises clearly reduce the personnel and minimize the impact on their own development and growth.

D. Active and Effective Communication with Staff

Before the economic layoffs, the communication between enterprises and employees is very important. So, if enterprises determine which employees to lay off, how to communicate with them is a big deal. First of all, who will conduct the interview needs to be clarified. First of all, who will conduct the interview needs to be clarified. Enterprises should not let the immediate boss who is expected to be laid off to preside over the interview. Therefore, it is more appropriate for the staff of the human resources department or the managers of other departments to do the job. Then, during the interview, negotiators try to talk to employees implying layoffs and ask him to take the initiative to leave. Employees who are sacked respectfully do not usually speak ill of their original employers. This not only maintains the face of employees, but also maintains the face of enterprises. In fact, the most important thing is to let employees feel the sincerity of the enterprise, do not let employees feel that enterprises are just routine. If employees stay, the human resources department must consider the possibility of internal rotation and whether the employees themselves are qualified for new positions. Only in this way can the enterprise leave the best and suitable employees.

In order to strengthen communication with employees, enterprises should give full play to the role of trade unions. Trade unions represent the interests of the workers and protect the legitimate rights and interests of the workers by negotiating with the enterprises. In order for the interests of

workers to be effectively safeguarded, trade unions need to be given the right to make recommendations. The state should issue corresponding provisions to improve the status of trade unions and clearly stipulate the rights of trade unions. The state should determine that the trade unions are the main qualification of interest representative of the workers, and can form an internal mechanism to compete with the inappropriate decision-making of enterprises. The role of trade unions can be strengthened from the following aspects: First of all, the economic layoffs of enterprises must be based on the advice of trade unions as a prerequisite. Secondly, when there is no legitimate reason to refute the opinions put forward by trade unions, enterprises must accept their opinions. Third, the time limit for trade unions to submit opinions and the time limit for enterprises to respond needs to be clarified. Only in this way can we give full play to the role of trade unions in the process of economic layoffs and really participate in them.

E. Taking Good Comfort to the Remained Employees

Economic layoffs will have the greatest impact on two categories of people: the laid-off and the survivors. Enterprises tend to be more inclined to those who are laid off because their experiences are more tragic. Companies think survivors should be lucky because they have not been laid off, so they should work harder. However, after economic layoffs, enterprises also need to build confidence in the survivors. The reason is that the survivors are also in the shadow of fear of being cut off.

Enterprises adopt the way of economic layoffs, which is easy to lead to the phenomenon of anxiety among the retained employees. Based on the concern about the stability of their work, the retained employees will lead to the decline of work efficiency, which will affect the development of normal work. This requires enterprises to do a good job after economic layoffs. Managers of enterprises should communicate fully with retained employees in an honest manner in order to appease them effectively. In order to improve the loyalty and identity of the retained employees, enterprises need to carry out the necessary psychological guidance to the retained employees in order to avoid panic. At the same time, companies have to communicate with survivors about the current economic situation. Enterprises should let employees understand that only by improving work performance can they effectively survive the business crisis, and their enthusiasm for work will naturally be improved. Such positive pressure will drive survivors to be willing to work.

Department managers, especially the human resource manager, should provide channels of information communication and update the latest situation of enterprises in a timely manner. Employees should invite relevant personnel or external experts to psychological counseling of retained employees to help them overcome psychological obstacles. This increases the sense of security of retained employees and reduces the unnecessary risk of asymmetric and incomplete information.

V. CONCLUSION

Under the current market economy system, the economic layoff is a common phenomenon. On the one hand, economic layoffs can alleviate the business difficulties of enterprises, on the other hand, a large number of unemployed people bring new challenges to the human resources management of enterprises. Many enterprises lack experience in economic layoffs, so their imperfect system and unprofessional operation have brought a lot of problems. Due to illegal layoffs, many enterprises finally bear great economic losses, such as economic compensation recruitment costs, training costs and so on. Economic layoffs seriously destroy the psychological contract relationship between employees and enterprises, challenge the loyalty of employees, and seriously affect the reputation of enterprises. While seeking sustainable development, enterprises must accurately measure the risks caused by layoffs and deal with the problems brought about by them in a timely and effective manner. This paper analyzes the present situation, problems, causes and countermeasures of economic layoffs in enterprises, and puts forward some strategic suggestions for perfecting economic layoffs.

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