

## USING A STRATEGIC APPROACH IN THE CONTEXT OF MASS LAYOFF MANAGEMENT AT DOMESTIC ENTERPRISES

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The feasibility of using a strategic approach in the process of mass layoffs has been determined, which helps both to consider the issue of layoff within the enterprise that conducts the downsizing and take into account its impact on the environment, the regional labor market. The developed countries' experience of tackling the mass layoffs has been analyzed and the implementation of a rapid response strategy based on Ukrainian market realities has been suggested. The regulatory support of mass layoffs in Ukraine has been analyzed, on the basis of which the feasibility of establishing a body responsible for implementing the strategy at the regional level has been provided: the Secondary Employment Commission. The basic financial source for implementing the strategy has been proposed namely the funds of a unified social tax. The basic six steps of the strategy have been considered, first of all networking advance notice of the layoffs, meeting with the employer. At this stage it is very important to determine the major advantages that accrue to the employer in the case of implementation of the strategy, among which are the following: reduction of costs on carrying out mass layoffs, reduction of the administrative burden, saving the level of productivity and quality of work, saving the image of the company, reducing the number of claims for compensation, change and growth promoted by the guarantee of employment. The next step is a preliminary estimation of the number and severity of possible layoffs, seminars on the layoffs and organization of an information and methodological support center for employees, the organization and implementation of support programs for redundant workers, evaluation of the effectiveness of the selected methods. The basic indicators for assessing the effectiveness of the strategy implementation at the meso- and microlevel have been proposed.

*Keywords:* mass layoffs, rapid response strategy, the Secondary Employment Commission, information and methodological support center.

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### ВИКОРИСТАННЯ СТРАТЕГІЧНОГО ПІДХОДУ В КОНТЕКСТІ ПРОБЛЕМ УПРАВЛІННЯ МАСОВИМ ВИВІЛЬНЕННЯ ПРАЦІВНИКІВ НА ВІТЧИЗНЯНИХ ПІДПРИЄМСТВАХ

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Визначено доцільність використання стратегічного підходу в процесі масового вивільнення працівників, що дозволить не тільки розглядати проблему вивільнення в рамках окремого підприємства, на якому відбувається вивільнення, але й урахувати його вплив на зовнішнє середовище, регіональний ринок праці. Проаналізовано досвід розвинених країн щодо вирішення проблеми масового вивільнення та запропоновано використання стратегії швидкого реагування з урахуванням українських ринкових реалій. Проаналізовано нормативно-правове забезпечення масового вивільнення працівників в Україні, на підставі чого було визначено доцільність створення органу, відповідального за реалізацію стратегії на регіональному рівні, – Комісії зі сприяння вторинному працевлаштуванню. Окреслено основні джерела фінансування стратегії, а саме кошти єдиного соціального внеску. Розглянуто основні шість етапів реалізації стратегії, насамперед це організація мережі завчасного повідомлення про вивільнення, проведення зустрічі із працедавцем. На цьому етапі дуже важливим є визначення основних переваг, які отримує працедавець у випадку реалізації стратегії, серед яких можна виділити такі: зменшення витратності проведення масових вивільнень, зниження адміністративного навантаження, збереження рівня продуктивності та якості праці, збереження іміджу підприємства, зменшення кількості позовів щодо компенсації шкоди, гарантія працевлаштування, що сприяє змінам та зростанню. Наступним етапом є попереднє оцінювання обсягів та складності можливих вивільнень, проведення семінару з вивільнення та організація інформаційно-методичного центру підтримки працівників, організація та реалізація програми підтримки вивільнюваних працівників, оцінювання ефективності обраних методів роботи. Запропоновано основні показники оцінювання ефективності впровадження стратегії на мезо- та мікрорівні.

*Ключові слова:* масове вивільнення, стратегія швидкого реагування, Комісія зі сприяння вторинному працевлаштуванню, інформаційно-методичний центр підтримки.

# ИСПОЛЬЗОВАНИЕ СТРАТЕГИЧЕСКОГО ПОДХОДА В КОНТЕКСТЕ ПРОБЛЕМ УПРАВЛЕНИЯ МАССОВЫМ ВЫСВОБОЖДЕНИЕМ РАБОТНИКОВ НА ОТЕЧЕСТВЕННЫХ ПРЕДПРИЯТИЯХ

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Определена целесообразность использования стратегического подхода в процессе массового высвобождения работников, что позволит не только рассматривать проблему высвобождения в рамках отдельного предприятия, на котором происходит высвобождение, но и учитывать его влияние на окружающую среду, региональный рынок труда. Проанализирован опыт развитых стран по решению проблемы массового высвобождения и предложено использование стратегии быстрого реагирования с учетом украинских рыночных реалий. Проанализировано нормативно-правовое обеспечение массового высвобождения работников в Украине, на основании чего определена целесообразность создания органа, ответственного за реализацию стратегии на региональном уровне, – Комиссии по содействию вторичному трудоустройству. Определены основные источники финансирования стратегии, а именно средства единого социального взноса. Рассмотрены основные шесть этапов реализации стратегии, прежде всего организация сети заблаговременного уведомления о высвобождении, проведение встречи с работодателем. На этом этапе очень важным является определение основных преимуществ, которые получает работодатель в случае реализации стратегии, среди которых можно выделить следующие: уменьшение затратности проведения массовых высвобождений, уменьшение административной нагрузки, сохранение уровня производительности и качества труда, сохранение имиджа предприятия, уменьшение количества исков о компенсации вреда, гарантия трудоустройства, способствующая изменениям и росту. Следующим этапом является предварительная оценка объемов и тяжести возможных высвобождений, проведение семинара по высвобождению и организация информационно-методического центра поддержки работников, организация и реализация программы поддержки высвобождаемых работников, оценка эффективности выбранных методов работы. Предложены основные показатели оценки эффективности внедрения стратегии на мезо- и микроуровне.

*Ключевые слова:* массовое высвобождение, стратегия быстрого реагирования, Комиссия по содействию вторичному трудоустройству, информационно-методический центр поддержки.

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Political instability in the country, sharp currency fluctuations, increased unemployment in the regions through the forced relocation of the working population from Donbas region carries a destabilizing impact on the domestic labor market. Under such conditions, mass layoffs could trigger a deepening of employment problems both in certain regions and the country as a whole. All this leads to the expediency of drawing attention of both the state and the public to the mass layoffs of companies employees.

A strategic approach is based on decentralization and democratic governance, strengthening a qualitative approach to assessments, considering the company as a subject of active influence on the environment and using strategies as the main tool for enterprises that allows companies of any form of ownership to make the process of mass layoffs gradual and reduce its negative impact on the regional labor market [1].

The issue of strategic human resource management has been researched in the works of domestic and foreign scholars such as M. Armstrong, A. I. Krivtsov, L. V. Hashieva, L. S. Shehovtsova, K. Skuler, P. Drucker, Boris Becker, D. Walker, A. Kibanov, A. Vlasov, A. Grishnova, V. Immortal, S. Goncharova and others [1 – 3]. However, the range of issues of strategic human resource management is limited to the main elements of the management system, such as recruitment, selection, labor organization, regulation and others. The problem of strategic management layoffs has been ignored by researchers, although it exerts the greatest influence on the regional labor market.

The goal of the study is to summarize the existing experience of managing mass layoffs, ways of using the strategic approach and determine the implementation phases.

The initial idea that reflects the essence of the strategic approach is the idea of considering the relationship and mutual influence of external and internal environments in determining the goals of a company. Krivtsov A. I. considers that strategies serve as a tool for achieving goals of enterprises [2].

A distinctive feature of strategic management, according to the leading domestic scientists, is considering an enterprise as

a subject of active influence on the environment [3]. In the case of mass layoffs, especially when business policy in this regard is ill-conceived, the impact on the local labor market is undisputed and significant. As shown by numerous studies, the layoffs lead to exacerbation of imbalances between supply and demand of labor, increase in the registered unemployment in the local labor market, increasing the load on the vacancy. A strategic approach in managing the layoff process can be considered not only within the enterprise, which downsizes employees, but it should also take into account its impact on the environment, regional labor market. As part of a strategic approach an enterprise is considered as a social and economic system, the content and sequence of activities is determined by the collection and use of strategic information. This approach, in the author's opinion, allows a company to avoid "the effect of spreading circles" that occurs during the closure or downsizing. The essence of this effect is that reduction of the number of orders to these companies, (other regional companies or created divisions) that depend on the parent company, directly or indirectly reduces their opportunities for employment of workers and worsens the economic situation and employment in the region [4].

That is why, in the author's opinion, the strategic approach to the layoff management introduces involving not only the direct participants, employers and employees, but also the local community (the executive authorities, local employment centers, the Inter-agency Committee of Regional Development, the Employment Fund, the centers of vocational training, of social dialogue and others).

The investigation into the mass layoffs and areas of fighting against them at the foreign enterprises showed possible solutions. Thus, the company "Xerox" in order to reduce costs and increase productivity developed a permanent program of cooperation between the union and management – the union takes part in decision-making and the management gets a flexible production process [5]. Another example of successful cooperation between the parts of socio-labour relationships in the layoffs is the experience of Hungary, which in 1994 developed a project to assist employees that had been

redundant as a result of mass layoffs and plant closures through using rapid response programs that helped employ 5 thousand workers [6].

The positive experience of using rapid response strategies abroad and inefficiency of the current work with downsized employees in Ukraine makes it feasible to develop a similar strategy of mass layoffs according to modern Ukrainian realities. The analysis of the national institutional frameworks of mass layoffs allowed the author to conclude that a limited number of legal acts, which in varying extent describe the above mass layoffs are available. This is the Law of Ukraine "About Employment", which defines the concept of mass layoffs and confirmed the need for the development of a complex of measures to provide employment to the employees that have been downsized by relevant local authorities with the participation of the social dialogue parties [7]. In addition, the same law provides for granting state employment information about the planned and actual layoffs due to changes in production and labor. Based on the foregoing, another law that indirectly regulates the process of mass layoffs is the Law of Ukraine "About Social Dialogue", which identifies the aspects of social dialogue at national, sectoral, territorial and local levels [8].

In accordance with certain laws of social dialogue at the regional level for effective implementation of the strategy of mass layoffs at this level, according to the author, it is advisable to form a single associative coordinating body that will be responsible for the implementation of this strategy, namely the Secondary Employment Commission (SEC).

The reason for the formation of such a commission is provision 48 of the Law of Ukraine "About Employment", which provides contingency for the creation of special commissions in the manner prescribed by the Cabinet of Ministers of Ukraine to take measures to prevent a sharp rise in unemployment during mass layoffs [7].

Based on the provisions outlined above, the author proposed the following parties to be included in the SEC:

- social dialogue parties (representatives of workers and employers who are faced with the problem of mass layoffs);

- local authorities represented by the local employment service, the scope of which includes the assistance for workers downsized by enterprises, institutions and organizations, and the Department of Social Welfare;

- a restructuring specialist (as a key person to coordinate and ensure cooperation of other parties);

- representatives of the Centre for Professional Training and the Career Guidance Center.

The source of funding for the mass release management strategy is proposed to be the insurance costs of the Unified Social Tax transferred to the central fund accounts of compulsory social insurance against unemployment. This is the intended purpose of the Fund – providing financial support measures for the preparation and training of redundant workers. In addition to the Fund, an agreement setting the amount of the financial provision and distribution of funds may be concluded between the parties involved.

The generalization of foreign experience and the features of the domestic institutional environment of the mass layoffs can determine six main stages in the implementation of the strategy:

*Step 1.* The first step involves monitoring the situation on the labor market and identifying opportunities of mass layoffs. With an employer that provides reports about the planned layoffs, a representative of the employment service provides interaction not later than 48 hours from the receipt of the information. This period has shown its effectiveness in the implementation strategy of rapid response in the US [9]. Therefore, the author proposes to use two days as a deadline for the employer involvement in the SEC in Ukraine.

A specialist from the employment service provides a general overview of the operational strategy of taking measures for the employer and the employer provides contact information to the specialist on restructuring who coordinates the activities of the SEC. A specialist from the employment service also provides a link with the restructuring specialist in order to confirm the contact with the employer who plans mass dismissal (no later than 48 hours) for the purpose of an initial meeting on the discussion of the planned layoffs.

Another goal of the specialist employment services at this stage is posting information about the planned layoffs at the site and entering it into the Unified Information and Analytical System of the State Employment Service.

Employment Service representatives are responsible for maintaining the contact list of SEC members to assist in the coordination strategy of rapid response, continuous updated information at the website of the State Employment Service, and for ensuring the timely delivery of information required for the SEC [6].

*Step 2.* This phase involves an initial meeting of the restructuring specialist with an employer who plans mass layoffs, and representatives of its employees.

The issues that should be solved during the initial meeting with the employer and workers' representatives:

- available programs, services and resources strategies such as training, unemployment insurance, job counseling, and financial advisory services to meet the short-term and long-term needs of victims;

- the content of the strategy and its benefits to employers and employees [5];

- the use of alternative layoff events;

- assessment procedures of the layoffs, planning and timing;

- identification of employees who fall under the layoff, the

- amount of their salaries, the profession, the qualifications and experience;

- incentives for businesses downsizing workers, such as severance pay, retraining, outplacement;

- alleged activities on assistance to workers and their families;

- prospects of finding a new job for workers in the region.

*Step 3.* The third step implies conducting preliminary assessment by the restructuring specialist on the basis of the incoming data volume and complexity.

*Step 4.* At this stage, SEC members provide an opportunity for the downsized workers to cope with the changes that occur as a result of the mass layoff. It provides:

- a downsizing workshop;

- organization of an information and methodological support center for downsized workers at the enterprise or at the employment center.

The necessity to conduct downsizing workshops, as the author is inclined to think, is caused by the fact that they can make the procedure of downsizing more transparent and understandable to all the workers, both those downsized and those who remain in the company. The experience of developed countries shows that an important part of a successful management strategy is to create mass layoffs specialized information centers for teaching downsized workers at enterprises that realize the mass layoffs [5, 6, 9]. Several services could be required before and after layoffs as a result of the termination of the company or staff reduction. Generalization of the experience of creating such centers in foreign companies allowed the author to conclude that there is a list of services that can be offered before the downsizing:

- mutual support and counseling. Group members appointed from among the labor collective of the enterprise to hold a preliminary study. In addition to its core responsibilities, they also provide services to employees in the period prior to the layoffs. One of the most important functions of such support is moral and psychological support for the staff overcoming feelings of anger and despair, maintaining a healthy work environment in the company. Thus for every 50 workers there should be a specialist consultant. To successfully perform their tasks candidate counselors from employees receive specific training and gain the knowledge necessary for the development of counseling skills;

- exchange of information. In order to prevent the circulation of rumors in the company which is planning layoffs, a group of mutual support should enable accurate and timely information about the status of downsized workers and work of the assistance services;

- operational activities aiming to identify the recipients of aid. The goal of such operational activities is to enter into contact with all the employees who could benefit from assistance programs, inform them of such services and help them when they contact the Information and Methodological Center;

- assessment and planning. The assessment is the analysis of the strengths and weaknesses of the redundant personnel, their resources, their records in the direction of staff training and

secondary employment, and planning activities to improve the situation of workers in general, given their present situation and possibilities for improvement;

financial planning. Since most workers and their families can't make a budget, the employee or a specialist adviser can provide them with materials on budgeting and planning costs;

gathering information about job vacancies. Gathering information about jobs involves collaboration of experts with information and methodological center representatives in the search of vacancies at the enterprises of the region. As during the job search prompt contact with a prospective employer plays a crucial role, the aim of the center is to organize such a system of job search which is based on the most rapid exchange of information about employment opportunities between employers and employees. Given the fact that many jobs are on the "hidden" market of labor, which is not contained in the database of regional employment, specialists of the center shall ensure the exchange of information about vacancies with partner companies;

professional testing and counseling. The center in conjunction with the Employment Service organizes a program of formal vocational testing and counseling for displaced workers.

**Step 5.** At this stage, the organization and implementation of assistance programs and secondary employment of downsized employees is conducted. On the basis of the information received by the information and methodical center, all the employees who need help, are combined into functional groups according to the type of help they need from the SEC and thereafter it shall be subject to the parties involved.

**Step 6.** The goal of this phase is to evaluate the effectiveness of the selected methods of work with downsized employees. The author proposes to group performance evaluation into the mezo- and microlevels. For enterprises, institutions and organizations such indicators may be: the state of moral and psychological climate among workers who remain, changes in productivity, turnover, fixation of workers in the new workplace. At the mezelevel the efficiency of the SEC can be estimated by the coefficient of redistribution of the redundant workers, the period of employment of the downsized workers, changes in unemployment and employment in the region.

Thus, the use of a strategic approach allows the people who make decisions, to define the methods and resources needed to successfully and consistently solve the problems associated with the closure and mass layoffs. The expediency of forming a single associative body responsible for implementation of the strategy – the Secondary Employment Commission has been substantiated by the author through the analysis of the institutional environment. The parties that are appropriate to be included in the abovementioned Commission as well as the source of funding have been suggested. In addition, the author has summarized and reasoned a sequence of steps for the strategy that should be used locally with limited resources to mitigate the effects of reducing the number of employees for workers and local communities.

The current state of scientific research indicated the problems requiring the construction of a new system of mass layoffs management, which should be based on the awareness of all the actors, including local communities, the necessity of involving them in this process and comprehensive cooperation with enterprises and their employees.

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