

## **HR strives in a challenging environment. Downsizing. Evidence from the International Public Organizations area**

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**Abstract:** *The present paper presents new and unexpected movements on the international organizations labor market under the pressure of budget cuts. It focuses on the administration field of work, emphasizing on the staff resizing and the associated stress for the personnel under the effects of the automation and ultimately the effects of a new reality. A brief analysis of the staff downsizing processes and effects in large public organizations highlighting the difficulties and the stress, along with productivity changes, is performed. The research is empirical, but lead by factual observations and data on institutional strain prompted by change in large public organizations. It stays mainly onto the HR input as both promoter and dissuader of the process, while wider organizational implications are being conveyed as part of the equation.*

**Key-words:** *downsizing, organizational change, public organizations*

### **1. Introduction and literature review**

The main definition we find while searching for the concept of downsizing is „intentional reduction in the size of a workforce at all staffing levels, to survive a downturn, improve efficiencies, or become a more attractive candidate for acquisition or merger” (Business Dictionary)

This is quite to be expected, we see the concept utilized on our current life, but we can only guess its impact while seeing it from the other side of the barricade, meaning as personnel about to be affected by it. What is further interesting is the carryover of the concept towards another one: rationalization. Seen not only as a need to save on resources when they become scarce, but also as a way to find a rationale on maintaining an unmodified level of service agreements with the stakeholders.

Is it rational to size down the staff under the pressure of budget reduction, automation, or externalization? It certainly is, but then again it depends a lot on the angle on which we judge it.

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We find in the literature the concept of „lean management”, which is a modern management myth. When companies are unwell economically or doing „too well” in the sense that they have gained „excess fat”, they are „put on a diet” (Hoßfeld, 2013), meaning that downsizing is the next step to be taken by the management. Is it working the same in the public sector? Obviously not, as stakeholders (member States) are less reactive than the clients or market in general, as it would be the case for a private company. However, when they do react, it is generally on a domino effect logic, which increases the pressure on management to perform in staff reduction while keeping the „business” running and creating at the same time an aura of legitimacy on the whole process (Bărbulescu, 2015).

On the same legitimacy aspect, authors stress on the fact that companies have an interest in presenting a specific image of their practices in staff reduction; an image that makes the practice appear legitimate, i.e. desirable, and proper or socially appropriate (Suchman, 1995). These aspects are of most significance to the public entities in particular, as public perception of management practice and of the way funds are spent set a trend on the future contributions of the member states (Anton, 2009). Moreover, the resistance to downsizing of the staff itself and the repercussions back to the funds originators in terms of poor management of funds create a supplementary pressure on the public organizations to: manage workforce reductions in respect of the costs savings while maintaining the public mandate intact.

Once they mature, international public organizations become subject of contrary types of pressure. On one hand, they turn out to be more complicated because of the increasing complexity of tasks and the increase in the number of stakeholders, including the number of member states represented directly and indirectly (Băcanu, 2014). On the other hand, the public wants them to become more efficient and to operate with lower costs. Both types of pressure push the executive management to adopt corporative management solutions. Even if the immediate results seem to validate these solutions, the mismatch between the organization's public specificity and the private nature of the means of addressing the use of financial resources creates sort of a fear of failing the (public) organization's scope.

The usage of financial efficiency methods in public organizations and their effect on employees remains a subject of study. The outcome created by the wage scale reduction and/or staff downsizing may have both positive and negative aspects on staff. In other words, the employee can improve their performance *per se*, under the fear of post cuts, but can also counterfeit it by increasing their individual efficiency in reducing the effort along the way. Fewer tasks performed or with less efficiency while the working time gets wasted in the effort of appearing indispensable to an organization that does not see the same value added from its distressed employee.

While difficult times may positively motivate employee to perform better and to voluntarily take an increased amount of pressure, the stress may act differently and although it seems unavoidable, it actually gives the employee a choice whether

to go through it or not. This inevitability can create the “trap” awareness to which stressed employee submerges and the consequent vicious circle is one step closer to being created. Managers who choose to ignore these facts face not only the risk of decreased HR performance, but also the risk of spoiled organizational culture (Neacșu, 2015).

In order to alleviate the stress, some organizations apply a more sophisticated tool used to make the downsizing be seen as a joint effort of staff in creating new synergies by reducing the size of the organization; by doing that, management hopes to create the vectors of an accepted co-ordination. All agents adhere to an accounting convention that incorporate downsizing in how to plan and staff the number of jobs (Bernier, 2015). The efficiency of such new-aged management tools is very uncertain and remains to be seen, as reality strikes when human nature intervenes in survival mode.

## **2. Staff downsizing. Ethical dilemmas**

Budgetary cuts, followed by staff downsizing and subsequent reduction of activities, services or mandates in the public sector have a peculiar way of happening, quite different of comparable events in the private sector. Why is that? It comes firstly from the extent of the general public attained by these changes.

As the downsizing is becoming significant, same comes to the extent of services the remaining staff is able to insure; however, as practice has repeatedly shown, staff reduction in the public sector was never or almost never accompanied by a similar reduction of the service level agreement, which leads to the second concern: to what extent the staff downsizing can be implemented in public sector without affecting the very essence of the services provided.

We take a first swift example from the Australian public sector, which has undergone significant changes involving managerialism, privatization, devolution and downsizing. This presented ethical challenges, especially where HR practitioners’ own professional values on one side and organizational requirements of practicality on the other side came into conflict. This delicate balance adds to the complexity of HR challenge and can result into unwelcome solutions where managing downsizing puts the specialists under pressure to comply with unethical directions or expectations; this conducts to the establishment of compromise choices, rather than ideal choices, when confronted with such situations (Shacklock, 2006).

Ethical dilemma: who is to leave first? Who is to leave at all? What are the criteria in cutting down the posts? First step is of course to release the organigram of the vacant positions that are carried over year after year in the public organizations in an unconfessed hope that they are going to continue to grow. This initial move is free of tangible stress for the personnel, although it is the blowing signal for further more concrete changes that will affect real people, not only positions. Second wave

is still less painful, as the retiring personnel (or early retirees) is not being replaced and no further recruitment is performed on the vacancies, which reduces spending on salaries, but increases workload on the remaining staff. Real problematic work in downsizing begins with the actual cuts that terminate existing contracts and separates personnel from what they thought would be one of the safest workplaces.

The gap between safety expectation combined with (sometimes) deep specialization in (administrative) public sector specific tasks on one side and harsh reality that brings early terminations on the other side seems difficult to fill in, at least from the point of view of the employees. This brings us back to what (objective) criteria are to be used in order to correctly decide who is to be next on the list. Is the performance appraisal a good and reliable tool to base such decisions upon? Theory may approve, but practice definitely contradicts it for all the reasoning stated previously.

### **3. Budget cuts under stakeholders' pressure in administration**

In a discussion about the evolution of public organizations, focusing on their size in terms of number of people they use as staff, one can not avoid the connection with a pair of concepts, naming good public-private good. The ideas associated with this pair of concepts are exposed in public economics theory, but are relatively less familiar even in the academic world.

The consequence is the emergence of a relatively “emotional” approach of the connection public good or service - public organization. Although the general public wants an improvement in the supply of public goods they also seek a decrease of the associated costs. Besides the tendency to transfer such public goods/services' realisation to the private sector in the hope of achieving the costs reduction, the pressure towards even lower costs and consequently reduction of the public organizations' size, is growing.

Public desire to reduce the cost and size of public organizations appears as a natural consequence of the continuous improvement of labor productivity. This is influenced both by the increase of staff's individual performance and the reengineering processes, but mostly by rethinking processes through IT. It works in the same manner not only in the public sector, but in here the staff's residence and inertia are considerably higher, plus less easy to obturate due to the size of the organizations themselves.

Both policymakers and the public seek an operational costs' limitation of all public organizations. As new products and new associated public organizations arise, keeping under control of the whole package requires a reduction in the size of existing organizations, even if the volume of products it generates is growing due to objective increase of demand. Mandates are also extended and broader, meaning that

new and more sophisticated public services and/or good develop as the society at large evolves. That requires more skills from the public employees, while still the public demand to lower the costs is maintained and affirmed.

The requirement to reduce the size of public organizations is further enhanced in the case of international organizations in which are represented the member states, in different proportions. Thus the previous requirement gets reflected and also shaped by the policy-makers associated with the predominant states. Even if some of the organizations seem less affected by political factors, such as the WHO (World Health Organization), WMO (World Meteorological Organization) or, on another note organizations operating with significant funding from private sources, such as FIFA (Fédération Internationale de Football Association), we still see that the actual influence of the political decision-makers of governments is crucial.

Given this power relationship, governed by political will, the pressure exerted on public international organizations reflects both public expectations about the growth of labor productivity due to IT and the "opportunity" to influence its public behaviour at the level of each participating country. A member state will try to use a public organization to whose financing is participating in a manner that best respond to its expectations.

State will shape its financial contribution for that organization, possibly even its membership, according to the tally between the organization's "performance" and its own agenda. A recent case exemplifying previous assertion is that of South Africa who withdrew from the International Tribunal of Israel which reduced its contribution to the UN because of decisions taken by these bodies that affected them one way or the other.

So overall pressure in favor of downsizing is usually effected by reducing financial contributions and creating preconditions that directly address staff reductions. These main areas are complemented by other actions aimed at the same organizational results. For example, it supports a relocation of segments of the organization's operating in a manner similar to the one specific to corporations. Clearly this relocation is made from a big city where the duty station may have been longly located, to a town in an emerging area, which can be claimed as to be better positioned for the organization's operations.

#### **4. Stakeholders' accountability**

Budget cuts in organizations is reflected both in downsizing, as well as in developing new salary packages. The latter consist of course in a reduction of the employees' income. Some of the reduction and for some of the employees are theoretically compensated by relocations to areas with lower costs of daily life.

The individual result of all these movements associated to the staff downsizing is a more intensive labor and a productivity increase. Even if there is a additional technological support and updated IT used, maintaining quality standards involves extra effort.

As above mentioned dimensional trend was inspired by the private sector it is expected that other approaches of the same inspirational origin arise. One of these is the so-called outsourcing. This translates, in the case of public organizations in subcontracting activities carried out by its own staff previously. If the free market is associated with a large Western city where find the headquarters of international organizations are located, then, paradoxically, subcontracting may prove costly. Unfortunately the current reality offer a significant number of cases in which extra costs of subcontracting are pitched high. This sustains the general impression that international public organizations spend too much, thus the sensible solution should be the downsizing.

On the other hand, opinions about individual facts and general impression of the public, with or without the intervention of politicians modeling, are a result of the evolution of public international organizations in the so-called period of globalization. Most factors impacting this evolution generate the increase of the organizations' complexity. The generic term of growth means that operating parameters get more difficult to manage. This phenomenon accentuates the bureaucracy in organizations - in the usual negative sense – with the known consequences.

The first aspect associated with the of the increase of the representativity of international organizations in question is to increase the number of States which are involved in their work. In some way this means that decision and control mechanisms become more complicated. Even if the decision is linked to a differentiation that reflects the contribution of each state, the associated issues related to a consensual behavior of decision-makers are kept. Therefore operating mechanisms become even more bureaucratic.

Consequently, the need to clarify the *modus operandi* of the organizations calls for creating a comprehensive and extended set of procedures. And these procedures, as well as those associated with the high-end decision-making process lead to an emphasis of the bureaucracy with all its negative consequences. As time went by, it was outlined that the negative effects at the level of these public international organizations are similar to those in mining and large series production associated with Fordism concepts. Essentially, at the pyramid's organizational base it is expected that a real decrease in labor productivity arises, along with a decrease of the employee's responsibility overall.

Starting from this hypothesis in connection to the individual activity/practice, for which stand the private industrial organizations as well as the international organizations current examples, the actual concern for increased productivity and accountability becomes the main reason for budget cuts. Claiming this worry is all

the more intense as it blurs the care to promote political interests of the Member States of international organizations.

If the interest in establishing procedures appears to become a permanent and important task, the ranking of the work determinants changes in favor of the quantitative aspects. In the hope of achieving a mission driven behavior, some interest to operate on the basis of objectives and quantitative models appears automatically, while performance standards for the organizational divisions and individuals becomes the necessary metrics in deciding on whose head futures cuts will fall.

## **5. Conclusions**

In such context, the concern for promoting political interests is reflected in shaping state budget allocations for the international organizations. This so-called modelling/shaping is, in fact, often and increasingly often, a reduction in budgetary allocations, but what makes it difficult to be put in place is the fact that it is accompanied by requirements to improve work processes, their effectiveness and overall efficiency. If the first course of action seems vague, the second leads inevitably to recalibration of the organization in terms of staff size, along with operating costs decrease thereof. In absolute terms this may result in a reduction of the staff number, as well as a reduction of the pay level.

In fact, it seems that the reductions' spectrum determines a positive effect on the organization. On the one hand there is an increase of the staff's interest to perform. We should not avoid observing that this interest could actually be replaced by a concern to seek and receive a positive assessment from the supervisors and/or higher hierarchy, particularly when individual performance metric system is marked by subjectivity. Consequently, what is to be perceived is not necessarily a real up rise of productivity, but definitely a quest for recognition and appreciation from the significant hierarchical factors.

On the other hand, a reduction in contributions and subsequent apportionments announced by Member States can generate an adaptation of the organization concerned. This adjustment is materialized in finding alternative resources, which is a healthy approach. The effect of increasing the influence of different "sponsors", meaning donors, NGOs, lobby groups etc. remains to be evaluated in the future. At the present time the international organization facing downsizing due to budgetary cuts and subsequent automation processes extends its known operational model, seeking predictable results based on milestones of the past.

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