

workhuman*

The Impact of Layoffs: Employee Sentiment and Cost Implications

ELEVATING CULTURE AND PRODUCTIVITY AFTER WORKFORCE REDUCTIONS





In April 2023, an online chat among employees of a prominent tech giant became a nationally publicized anecdote of the unsettling atmosphere surrounding modern corporate layoffs and gave a glimpse into the widespread trepidation workers felt for their fate. These employees were just a fraction of the 175,000+ tech workers in U.S.-based companies who faced mass layoffs in 2023. The finance sector also saw significant job cuts.

The layoffs in tech and finance are part of a broader trend of workforce reductions. In 2020, 41.7M people in the U.S. lost their jobs, mainly because of the pandemic. Since then, layoffs have continued and become an unfortunate corporate reality because of cost-cutting, rising inflation, an economic slowdown, war, and a reevaluation of tech-sector overhiring.

While layoffs aim to reduce costs and optimize resources, both employees and employers feel the effects. Keep reading for more on the impacts of layoffs on employees left behind, the subsequent cost implications, and ROI-focused insights into managing post-layoff scenarios effectively.

Poor wellbeing doesn't add up to a rich workplace.

Layoffs put a significant emotional toll on employees who remain with the organization, not just those who are let go. The sudden departure of colleagues, often without warning, can lead to a range of emotions, including fear, grief, anxiety, insecurity, low morale, sadness, and survivor guilt, which result in disengagement and hinder job performance.

These adverse effects of layoffs on employee wellbeing can lead to increased healthcare costs and absenteeism, and reduced productivity. According to data from Workhuman® and Gallup, low employee wellbeing can result in a staggering \$20M loss for every 10,000 employees, impacting performance and overall productivity.



Distrust and betrayal determine the value of commitment and engagement.

Employees left behind may feel distrust and betrayal toward their organization. They may question the company's loyalty and wonder if they could be next. This can erode the employer-employee relationship and impact long-term commitment, engagement, and performance, ultimately increasing costs associated with turnover, burnout, and missed opportunities.

A report from the University of British Columbia looked at a U.S.-based retail chain with 1 million employees over 22 months and found layoffs led to increased voluntary turnover immediately because of job insecurity.

The vision may be a reduced headcount, but the cost of employees taking this matter into their own hands is backfiring. According to Gallup, voluntary employee turnover costs American businesses trillions of dollars every year.

Layoffs in the workplace often leave the former employee less inclined to trust future employers and may affect confidence in job performance.

Source: "What Companies Still Get Wrong About Layoffs," Harvard Business Review, 2022

Increased workload and responsibilities accelerate the financial impact of burnout.

When layoffs occur, remaining employees often shoulder additional responsibilities. An immediate consequence of increased workload is the risk of employee burnout. Employees may struggle to cope with the added tasks and longer working hours, which can result in exhaustion, reduced productivity, and negative effects on their physical and mental health. [Research](#) found burned-out employees cost \$3,400 out of every \$10,000 in salary because they are disengaged in their work.

After a layoff, survivors experienced a:

41%

decline in job satisfaction

36%

decline in organizational commitment

20%

decline in job performance

Source: [“The Paradox of Layoffs: Engagement Drops When You Need It Most,”](#) Forbes, 2020

Mitigate the costs of layoffs by investing in surviving employees.

All these consequences take a toll on the culture of an organization. And any successful organization is only as strong as its people.

It may seem counterintuitive to invest in new programs while trying to cut costs. However, when a company invests in its people, it reaps the rewards of business prosperity beyond measures.

Human talent is worth 2.3x more than any physical or technological asset. And, going forward, that's what makes humans the biggest differentiator an organization can have.



Our organization is really supportive of recognition. Generally, when the budgets get tight, they don't give up on recognition – they just know that this is really an essential part of our business.

Dawn Heim
Senior Manager, Compensation and HR Technology
Tennant Company

Source: [Tennant Company testimonial video](#), Workhuman, 2023

Strategic recognition plays a pivotal and measurable role in an uncertain time.

The current global economy is characterized by volatility and uncertainty. Companies and individuals are affected by this daily and naturally seek positive reassurance.

And yet, this buoy is largely absent in most workplaces. Gallup's database revealed only one in four employees strongly agreed they have received recognition or praise for doing good work in the last week.

Despite the general lack of recognition observed in the working world, research shows a 10,000-person company can save up to \$16.1M annually through a successful employee recognition program.

If the median business in Gallup's database doubled the number of employees who strongly agree with this item, that business could see a:

9%

improvement in
productivity

22%

decrease in
safety incidents

22%

decrease in
absenteeism

The reason behind the ROI of recognition comes back to the force driving your business each day: humans. No matter how much we may try to deny its impact, emotion and feeling have a lot to do with how each and every one of us shows up to work. It is human for layoffs to affect how we view ourselves and the world around us, including our workplace.

Mourning change at work is like any other kind of grief – it requires a final stage of acceptance for us to move forward. Embracing the human element that occurs following layoffs with communication and recognition rather than denying the difficulty is what will ground and unite your organization’s culture and keep it moving forward.



Encourage employees to ask for help and check in with their managers, support belonging with employee resource groups (ERGs), and implement a strategic recognition program. With a recognition-centered approach that incorporates measurable ROI insights into the growth of your organization, you can strategically save money while building culture.

For more resources on strengthening your organization following a layoff, start here.

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