



Layoffs & Mental Health:

Insights to Guide Employers



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Insights to Guide Employers

Introduction

Layoffs take a heavy toll on your people.

For those who are let go, there's the financial uncertainty in the wake of the pandemic, as well as the loss of identity, purpose, relationships and structure that can come from work. Layoffs are also a source of distress for employees who remain in their jobs and managers who have a role in delivering the bad news.

So it's true that "layoffs are never easy." But, by using insights gained by mental health researchers, you can conduct layoffs with compassion and fairness. The people who are losing their jobs deserve no less—and it will also help you support the mental health of your remaining employees and maintain their trust through a difficult transition.

This guide is informed by psychological research and real-world leadership by business leaders. Inside you'll find:



Insights on the impact of layoffs



Key concepts to guide your company



Tips for communicating before, during and after a layoff



Conversation do's and don'ts



Equity considerations

With empathy, respect and a deeper understanding of people's mental and emotional needs, your company can prioritize the long-term health and performance of your people.

Insights from Mental Health Research

The Impact of Layoffs

It's crucial to understand that the pain from layoffs is felt throughout your organization.

Employees being laid off commonly experience a decline in their mental health.

- **The loss of income** and health insurance can threaten their sense of security—an essential foundation of mental well-being.
- **The stigma of being unemployed**, along with the sudden loss of routine, purpose and a social circle of colleagues also contributes to increased anxiety and depression. Laid-off employees even often become less satisfied with their marriages and families.
- **Older employees especially** may find it harder to readjust or find a new job to restore their mental health.

Stress-related illnesses are

50% higher

in companies that have downsized their workforce, compared to other companies.

Source: Journal of Service Science and Management,
March 2020



Employees who remain in their jobs Experience “survivor’s guilt” and a damaging insecurity about their futures, too.

- **Feeling uncertain about job security** over a long period of time is even worse for a person’s mental health than being laid off.
- **It shows up in performance.** When employees lack psychological safety at work, they often try to “lay low.” That results in taking fewer of the chances that unlock innovation and taking more sick leave, impacting productivity. Meanwhile, a reduced headcount may leave survivors with an unrealistic workload, which is a recipe for burnout.

- **Their trust may be damaged**, especially if they believe that the process was unfair, the communication was inconsistent or the support for their colleagues was insufficient.

Managers and HR professionals who conduct layoffs are vulnerable to distress of their own.

- **Feeling “responsible”** for inflicting distress on co-workers is a source of guilt and shame.
- **It’s a lot to carry.** These managers/HR professionals often deal with an exhausting cognitive dissonance from trying to separate their personal views from their professional responsibilities, or from treating colleagues they care about in an impersonal, “it’s-only-business” manner.

Burnout is

2x as high

at downsized companies.

Source: Journal of Service Science and Management,
March 2020

Productivity declines in

74%

of layoff survivors

Source: Leadership IQ

Key Concepts to Guide Your Company

Perceptions matter. To safeguard your company's trust and your people's well-being, pay close attention throughout the process to these essential psychological principles.

Fairness

- 01 In the rationale for deciding layoffs were necessary at all
- 02 In the criteria for determining who will be laid off
- 03 In treating people with respect and dignity
- 04 In offering support (e.g. severance or assistance in finding a new job)

A Sense of Control

When a person feels like they have some control over what's happening to them, it becomes easier for them to process what's happening around them and identify how they can cope.



Putting Insights into Action

Communicating Before, During & After a Layoff

Communication should be continuous, two-way, and based on compassion for your employees.

Before a Layoff

- Let employees know early on that you are considering or planning layoffs. Speaking openly about the circumstances that have led you here will help prevent employees from feeling shocked by the bad news, and also allow you to quash rumors. This may require multiple town halls.
- **Nokia** gave employees a year's notice of a restructuring in 2011. During that time, the company helped employees find new roles internally, get new jobs elsewhere or even start a business.
- Provide a timeline for updates, and stick to it so you don't keep employees in a prolonged and open-ended state of anxiety.
- If possible, ask employees for their ideas of alternatives to layoffs. These might include rotating furloughs, a four-day workweek, voluntary buy-outs or internal reassignments.
- **Apple** avoided the large layoffs that swept much of the tech industry, and instead reduced the CEO's salary, delayed bonuses, streamlined travel and other expenses, and left vacant positions unfilled.
- Assist managers with the information and key messages they need to prepare for layoffs, restructure workloads and offer updates without making promises they can't keep.
- Let your teams "talk it out" with you—and listen actively to them. These discussions can help employees process their feelings and draw on their own resources for resilience. Active listening will make these conversations productive.

During a Layoff

- Your CEO should inform your entire workforce what steps the company is taking and how they'll be affected, ideally in-person, with an opportunity for Q&A. Empathy, compassion and respect are crucial. One essential aspect of respect is being clear about how decisions were made and what's next (in terms of severance and support).
- **Stripe** CEO Patrick Collison's written layoff message was praised for its accountability, human touch and clarity.
- But a message from your CEO should only be the start of the discussion. On the day of a company-wide announcement, you should have one-on-one conversations between affected employees and their direct managers—not a consultant. In a smaller layoff, these conversations should come first so employees get the news individually.
- Video calls have become standard in the era of hybrid work—but in this context, they may leave employees feeling unsatisfied. If you must break the news by Zoom (for example, to a full-time remote employee), offer the opportunity for a follow-up in person. The Harvard Business Review published additional guidance for hybrid workplaces.
- Offer supportive benefits to ease the transition. Consider severance pay, an extension of health and mental health benefits, career coaching and access to recruiters (including your own talent acquisition teams). Offer—or even do it without being asked—to write a letter of recommendation for a member of your team.
- **Twilio** CEO Jeff Lawson framed post-layoff assistance as a matter of fairness: “We owe it to you to help as much as we can.” That help included an opt-in list to be shared with other companies that are hiring, severance and “high-touch service” from the company's recruiters.

Practice Active Listening

Active listening—through your body language, your comprehension, and letting the other person lead the conversation—empowers others with the sense of control that you want employees to feel before and during a major transition like a layoff. It's a skill that takes many forms—and lots of practice. A few basics:

- Really listen, don't just wait for your turn to speak.
- Give people your full attention (close your computer and silence your phone).
- Let the other person fill the silence.
- Don't jump in with what you think.
- Show an interest.
- Reflect back what you're hearing.

After a Layoff

- When layoffs are unexpected, providing an avenue or channel for the the laid off employee to ask questions, review support resources, etc. a few days or week post will be helpful. People may experience some shock and not be able to process the news in the moment. They may need a few days for the reality of the situation to sink in and this is when additional questions or needs may grow clearer for an individual experiencing the layoff.
- Your remaining employees may be feeling destabilized about the direction of the company, the future of their team or how their roles and responsibilities will change. Address these questions head-on in an all-staff town hall and/or departmental meetings.
- Leave opportunities for employees to pose their own questions, either in group meetings or in ongoing one-on-one availability.
- Check in on the mental well-being of your teams. Give them space to process their emotions, and ask them how they're adjusting to changes in workload.
- Remind all your employees of available counseling services through your EAP, or even make a counselor available in person. Pay special attention to managers and HR professionals who were directly involved in conducting the layoffs, to help them decompress.



Conversation Do's and Don'ts

Do

Schedule face-to-face conversations.

Be direct, honest and transparent with the news.

Lead with compassion. ("I am so sorry. This is not your fault.")

Validate their emotions. ("It's totally normal to feel sad/scared/angry.")

Express gratitude for the employee's contributions to the company.

Share the reason behind the decision.

Allow the employee to ask questions.

Ask questions of your own to learn more about their needs or concerns.

Offer a break if needed, or give the employee an opportunity to call a loved one before asking additional questions.

Follow up via email to recap information and resources.

Express gratitude for the employee's contributions to the company.

Share the reason behind the decision.

Don't

Limit your communication to a company-wide email.

Use euphemisms like "go forward" or "rightsizing."

Overuse expressions like "family" or corporate nicknames ("Googlers," "Amazonians," etc.). They're people first, and the layoff has cut them off from that corporate identity.

Shift responsibility onto the employee with expressions like "Colleagues who are leaving us."

Tell the employee "Everything will be okay."

Offer platitudes such as "Focus on the brightside," or "There's a silver lining to all of this."

Argue or debate if an employee gets angry. Instead, de-escalate: "I hear that you are angry. It's normal to feel that way. Let's take a break and meet again once you're feeling a little calmer."

Block exits—it's okay for an employee to need a break from the conversation.

Pressure employees to make immediate decisions, such as signing severance agreements. Give employees an opportunity to process and make an informed decision.

Cut off communication. Instead, invite employees to reach out with additional questions or the chance to say goodbye to team members.

Putting Insights into Action

Equity in Layoffs

Your values—including a commitment to equity—should guide you through layoffs, not be abandoned.

- If your company honored a pledge to diversify your workforce in the last few years, then a “last in, first out” method of determining who will be laid off will fall harder on these employees. Picture instead the company you want after the transition, and start by identifying whole groups, teams or divisions that don’t fit that future vision.
- If managers make layoff decisions independently, look at what the overall impact will be on your organization—for example, whether your cuts are worsening racial or gender gaps in pay—before approving their lists.
- Make sure that you haven’t decimated the ranks of your ERGs, including their leaders and executive sponsors, or DEI teams.
- When you announce the restructuring, be clear about what steps you took to prevent layoffs from having a disproportionate impact on workers from historically marginalized groups.

67%

of senior leaders are concerned about losing diversity due to layoffs

Source: [Worklife](#), Jan. 5, 2023

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