HUMAN RESOURCE MANAGEMENT: IMPLICATIONS OF
DOWNSIZING
Executive Summary:

Human Resource department of an organization plays a crucial role in determining the performance level of the organization. Improper workforce planning is one of the common reasons for inefficiency in organizational performance. The current report is concerned with the examination of downsizing programme initiated by the concerned university. The report reveals that the university can improve its current decision making process by implementing HRIS. However, the university could not benefit much from both voluntary redundancy scheme and targeted redundancy scheme. Hence, the findings from the report suggest that university can focus on targeted retrenchment scheme only but at the same the university needs to offer some additional benefits to the existing staffs to keep them motivated.
# Table of Contents

Introduction: ................................................................................................................................. 3

1.0 External factors affecting labor profile needed by the university: ........................................ 3

2.0 Human Resource Information System: ................................................................................... 5

3.0 Advantages and Disadvantages of Downsizing: .................................................................. 6

Conclusion: ..................................................................................................................................... 9

Reference list: ................................................................................................................................. 10
Introduction:

Human Resource (HR) is considered as one of the most essential functions of management as it is concerned with the procurement, development and management of workforce for an organization. The overall performance of any organization is determined by the efficiency and competency of its workforce. The current study is concerned with the evaluation of the factors affecting the workforce planning of a university in Australia. The study further explores the benefits and limitations of the downsizing strategy adopted by the university. In addition, the possible ways

1.0 External factors affecting labor profile needed by the university:

The case study reveals that the following external factors have influenced the workforce requirements of the university. These factors are discussed below:

Changes in VISA regulation & General skilled migration programme:

International students have been the main source of revenues for the Australian universities. However, international students coming from different other nations are required to obtain a valid VISA for entering into Australia. Rules and regulations related to the VISA & general skilled migration programme have been made more stringent than ever before. This has been a source of discouragement of foreign students intending to study in Australia. Fall in the number of international students has led to the reduction in earnings of the university which has further limited its capacity to provide good compensation & salary increment to existing staffs. This has made it difficult for the university to retain staff for the mid or long-term.

Rise in the value of Australian dollar:

In the view of Buller and McEvoy (2012), increase in the currency value of a country increases the cost of living of that country. Increase in the value of Australian dollar can be viewed as another key factor affecting the workforce requirement of the university. Rise in the value of Australian dollar means that international students are now required to spend more money than before for studying in Australia. This seems to have encouraged the students to look for other international destinations for studying. Thus, budgetary constraint has also led to the fall in the
number of international students thereby leading to a fall in earnings of the university and its capacity to retain competent employees through lucrative pay.

**Increased competition from international students from the UK, US & others:**

Students completing study from other countries like the UK, US and other Asian countries are giving tougher challenge to the foreign students coming into Australia for study purpose. In fact, students from such countries are getting better placements and career opportunities post completion of the courses. This might encourage potential future international students to consider those nation for study purpose compared to Australia.

**Safety concerns:**

One of the key factors considered by international students seeking to go abroad for studying is the safety factor. One of the key reason for the fast growing popularity of Australia as a study destination was this safety factor. In other words, Australia was considered as a highly safe country for international students coming to study in the country. However, recently some incidents of violence on Indian students have raised questions on the image of Australia as a safe country for foreign students. This has also been a key factor for the reduced number of foreign students in the country and subsequently lowering of earnings of the university. This has also impacted the capacity of the university to retain existing workforce through proper pay packages.

**Changes in funding strategy:**

The financial capability of any university is also determined by the degree of funding obtained from the government. Earlier, Australian universities were getting higher funds from the federal government. However, the government has introduced Higher Education Support Amendment which can be viewed as a funding measure driven by students’ demand. In other words, the quantum of funds obtained by the university from the federal government is currently determined by the places offered by the university for each of its discipline, industry demand and demand among the students. This has put some financial constraints on the university towards meeting its administrative costs, utility bills and other expenses which is further restricting its capability to spend properly towards staffing expenses.

**Change in student demand pattern:**
The preference of foreign students is yet another major factor affecting the workforce planning of the university. More and more number of students are opting towards dentistry, nursing, medicine and physical sciences. This has made it challenging for the university to adjust its existing academic staffs as more professors are required for courses in which the number of students is more. This disturbs the current workforce planning in the organization. Frequently adjusting the workforce is a major challenge for the university.

2.0 Human Resource Information System:

The HR department of the university can improve the existing Information System (IS) through the implementation of Human Resource Information System (HRIS). This can help the quality and management of HR information which can further improve the managerial decision making process at the university (Maier et al. 2013).

The HRIS of the university needs to include name and contact details of the staffs along with the following information:

- Name of departments
- Job title
- Grade
- Salary
- Historic salary details
- Job role
- Immediate supervisor or reporting authority
- Educational qualifications
- Past work experience
- Technical qualifications
- Special qualifications
- Date of birth
- Disabilities (If any)
- VISA status
- Date of joining
- Performance appraisal history
The university needs to focus on making use of the latest technologies related to software, hardware and micro-computers. This can improve the quality of managing HR related information across the university. As mentioned by Dery et al. (2013), use of micro-chip facilitates processing of large volume of data within a short time duration. Storing of large volume of data is also possible with the help of micro-chips. However, specific needs of the university need to be considered while implementing HRIS.

Following factors need due consideration prior to the implementation of HRIS in the organization:

- Needs assessment
- Type and size of HRIS
- Make or buy decision regarding the HRIS software
- Whether HRIS is to be implemented in full or in stages?

In order enhance the speed, accuracy and efficiency of the HRIS, the software needs to contain the following sub-systems:

- Recruitment related information
- Personnel related information
- Manpower planning information
- Training information
- Health information system
- Payroll system
- Personnel statistics system

3.0 Advantages and Disadvantages of Downsizing:

A downsizing refers to the process of reducing the number of workers or staffs in an organization which further reduces the size of the concerned organization. In other words, downsizing can be viewed as a planned layoff in the organization.

In current scenario, the university has adopted two different downsizing strategies. However, each of these strategies has its own benefits and drawbacks. These are discussed below:

**Downsizing strategy 1: Voluntary redundancy scheme**
Under the voluntary redundancy scheme, university staffs could voluntary opt for the end of their employment with the organization and get a special compensation for the same. However, the strategy has its own advantages and disadvantages which are discussed below:

**Advantages:**

In the view of Favero and Rutherford (2016), the main benefit of voluntary redundancy process is that it offers a degree of liberty to the staffs regarding employment tenure. In fact, voluntary redundancy technique is often viewed as more ethical downsizing practices than forceful layoffs. In other words, voluntary redundancy scheme can protect the brand image of the university. In addition to this, voluntary redundancy scheme can help in keeping resistance to organizational change at the minimum. Organizational conflicts and protests can be better avoided through this scheme. This strategy is in fact based on participative leadership style that is mainly focused on employee engagement. Therefore, it is not unjustified to expect that even leaving the organization an employee would not spread negative word of mouth. The degree of control regarding retrenchment under this strategy rest with the employees.

**Disadvantages:**

There are two principle disadvantages of voluntary redundancy scheme. Firstly, lack of adequate control on employee retrenchment process is a major drawback of this scheme. Under the scheme, it is the employees who decide about retrenchment and not the organization. This is highly risky as most of the staffs might not prefer to lose their jobs. In addition, under the voluntary redundancy scheme, productive or valuable employees might leave whereas unproductive or not so worthy staffs might continue their employment in the organization (Knowles, Holton and Swanson, 2014). Thus, the university instead of incurring additional money towards compensation for voluntary retrenchment might not be able to meet the desired goals for which it undertook the retrenchment programme. Secondly, voluntary redundancy scheme requires the university to pay additional money towards compensation of staffs who are voluntary leaving the organization. This increases the operational and administrative costs of the university which further lowers its financial surplus or profitability. This is a serious limitation of this scheme.
**Downsizing strategy 2: Targeted redundancy scheme**

Under the targeted redundancy scheme, the management itself nominated the low productive staffs and took actions for their retrenchment from the organization.

**Advantages:**

Cost and Control are the two main disadvantages of targeted redundancy scheme. This approach towards retrenchment is based on autocratic leadership style and indicate strict action from the management. Under the targeted redundancy scheme, the control of retrenchment rests with the management of the university. Therefore, it enables the university to identify the most unproductive staffs and layoff those staffs accordingly. Thus, a university is in a better position to meet its retrenchment goals under this strategy. On the other hand, Ochieno (2013) observed that targeted redundancy technique is less costly compared to voluntary retrenchment plan. Under this approach, the university is not required to provide any additional money as compensation to the staffs leaving the organization.

**Disadvantages:**

The main drawback of targeted redundancy scheme is that the brand image of the university might get impacted because of the implemented scheme. This can be explained by the fact that this scheme is forceful in nature. As mentioned by Upadhyaya (2015), target oriented redundancy programme can result in organizational conflicts and protests from the employees. This can further affect the daily operations of the organization in an adverse way. Another serious limitation of targeted redundancy scheme is that the brand image of the concerned organization might get affected by such programme. This can also make it difficult for the university in future while recruiting candidates. On the other hand, targeted redundancy scheme is often considered to have a negative impact on the staffs continuing in the organization. This is what has happened with the university. The existing staffs are feeling demotivated because of
forceful layoffs of their colleagues. This feeling of dissatisfaction can also hamper the productivity of the university.

**Conclusion:**

The university in the concerned case study has mainly suffered financial problems because of unavoidable external factors like rise in the value of Australian dollar, change in preference of the students, incidents of violence to students, change in VISA rules and others. This has forced the university to resort to employee retrenchment programme. Improper workforce structure was yet another reason for the same. However, the university could not benefit much from voluntary redundancy scheme and therefore had to implement targeted redundancy scheme. However, the later one has resulted in demotivation of the existing employees. Hence, the situation can be overcome by sticking to targeted retrenchment scheme while offering additional benefits to the existing staffs.
Reference list:


