
Downsizing and the Survivor Syndrome: The South African Case

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ABSTRACT

The purpose of this study was to obtain empirical data about the effect of workforce reduction on "survivors" in the public (n=158) and private (n=71) sectors in South Africa. Analysis of the effects of workforce reduction indicated that downsizing affected the survivors negatively. Employee morale, staff commitment and motivation plummeted, while job dissatisfaction and concern about job security increased conspicuously. It was found that the negative effects were more prevalent in the public than the private sector. Depth and frequency of downsizing seem not to intensify the survivor syndrome.

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INTRODUCTION

In the recent past, say since 1994, South African organisations have had to cope with socio-political changes, new governmental regulations, a re-introduction to global markets and pressure on costs and margins as well as the demands of affirmative action. In addition, specific South African business trends such as unbundling, industry deregulation and the privatisation of public sector companies created new competitive forces in certain industries which necessitated organisational change.

An increasingly persuasive response to this experience (to change) was to engage in some form of organisational restructuring, which included downsizing, right-sizing and re-engineering. These concepts all share one common assumption, namely workforce reduction and job elimination.

South African companies in the private sector first showed signs of staff reduction during the course of the eighties. Since 1990 the number employed in the industrial sector have continued to diminish with an overall low in 1996. An

indication of the total number of job cuts since 1991 is given in Table 1 and is reflected in Figure 1.

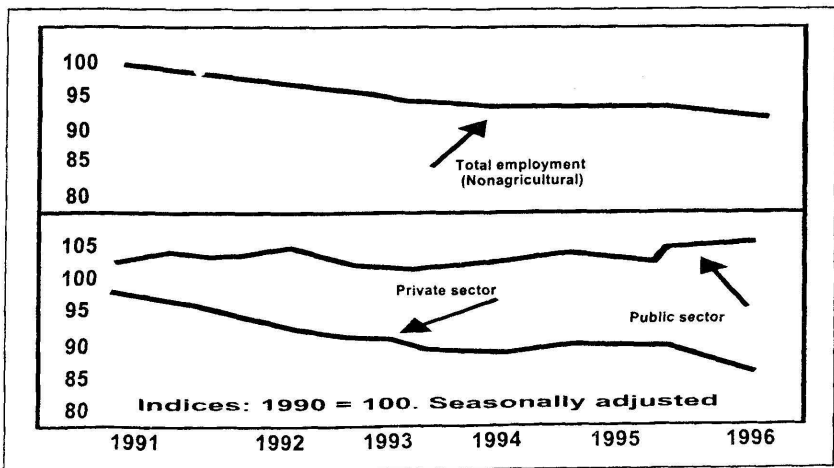
Table 1 Cut in staff of the top 100 companies in the industrial sector listed on the JSE

	1991	1992	1993	1994	1995	1996
Companies increased staff	37	37	33	43	55	48
New appointments	25 426	82 673	52 809	39 828	40 416	43 457
Companies decreased staff	63	63	67	57	45	52
Staff reduction	-89 656	-81 532	-82 798	-16 4265	-39 847	-64 192
Jobs Gained/Lost	-64 230	+1 141	-29 989	-12 4437	+569	-20 735

Source: Adapted from Supplement to the Financial Mail (1990/97)

The labour utilisation data of the major employers in South Africa, reflected that the percentage of companies that downsized their staff reached its *highest level in 1993 with the employment cycle at its lowest point in 1994. After a period of growth in 1995, private sector employment started dropping in the third quarter per cent of 1995, with declines of 5.8%, 3.6% and 2.8% in the first three-quarters of 1996 (see Figure 1).

Figure 1 Employment trends in South Africa: 1991-1996
(Index 1991 = 100)



Source: SA Reserve Ban¹.

However, in 1996 (at the time of the national survey) there was no sign of the process letting up – 44% of South African managers expected the restructuring cycle to continue over the next two years (1997/98). The Reserve Bank figures showed that 104 000 jobs were lost in the first nine months of 1997 and in its most recent survey Statistics SA reported that 186 000 jobs were lost during 1998 (Williams, 1999: 1).

In South Africa many public sector corporations, city councils and even the public service have undergone restructuring to adjust to the imperatives of the new South Africa. Most of the larger utilities have cut their payrolls since June 1994. Transnet, one of the largest transport public sector companies for example, downsized 27 059 workers from 1994 up to 1996 (Segal, 1997: 351-2).

Another major emphasis of government is the "right-sizing" of the public service. 300 000 public service jobs had to be shed in three years (1996/7/8). To this end 18 184 jobs were lost during 1996/97 (Swart, 1998: 8).

Based on the above summary of trends in downsizing and job elimination in South Africa, the question arose as to what the effects of downsizing are on the survivors. Much of the research in this area is organised around the notion of the "survivor syndrome" (Littler, Bramble & Dunford, 1995; Littler, Dunford, Bramble & Hede, 1996; Vermeulen, Wiesner & Littler, 1999). In this paper the focus is on the effects of workforce reduction on the survivors in the private and public sectors in South Africa.

The major research questions we address in this article, are as follows:

- What is the impact of downsizing on South African employees in the private and public sectors?
- What factors intensify and modify the survivor syndrome?

Downsizing survivor syndrome

The toll of job elimination and downsizing on human resources in a company is often extremely negative. Survivors of workforce reductions experience a wide range of emotions - *grief* and *shock* at the loss of their colleagues, *guilt* from feeling responsible for everyone's suffering, *uncertainty* about their competence and job identity, *relief* at being spared, *fear* that at the next round of cut-backs they may not be so fortunate and *anger* that the company they trusted has changed the "rules of the game" (NPI, 1996: 20; Stevenson, 1998: 42).

Downsizing frequently results in the so-called "survivor syndrome". This syndrome is apparent among both lower-level and managerial staff, with the

latter in particular undergoing a commitment crisis. Employee loyalty and motivation is jeopardised during downsizing, particularly in those companies that fail to share information both during and after the downsizing (Brockner *et al.*, 1987; Brockner, 1988; Brockner, 1992). Management experiences diminishing expectations regarding their chances for advancement, leading to a decline in commitment to the company and increased staff turnover. Managers who find that the organisation's vision, values and direction are no longer compatible to their own beliefs, have their expectations and dreams shattered. They may work their way out of this predicament by creating alternative options for themselves within or outside the organisation (Stevenson, 1998: 42). As a result, downsizing fundamentally alters the terms of the psychological contract that binds workers to organisations. This has a wide impact on the companies concerned as the resulting low morale and lack of trust have ripple effects on virtually every people-related aspect of business activity (Cascio 1993: 101-3).

Unless a company is willing to undertake the hard but necessary work of developing a new contract to replace the old one, employees will just feel betrayed and this shows in many ways including lost loyalty, poor morale, health problems and reduced customer service (Challenger in Laabs, 1999: 6).

To summarise, survivor syndrome involves a decline in organisational commitment, a loss of morale, a lack of trust and a focus on personal security rather than any corporate goals. These may have long-term outcomes in relation to performance, innovative capacity and organisational learning in South Africa (Roos, 1993; Louw, 1995; Thomas, 1996; Stevenson, 1998).

METHOD AND RESEARCH PROCEDURE

The primary purpose of the investigation was to obtain empirical data with regard to the effect of downsizing on employees in South Africa. Littler's Organisational Change Survey Questionnaire was used in a survey of employees' reactions on downsizing in the private and public sectors. The questionnaire was developed and standardised by Littler *et al.* (1995) to measure downsizing and delayering in Australia and New Zealand. The questionnaire consists of five sections. In this study the data of the following three sections were used, i.e. the organisation, the effect of workforce reduction and the demographics of the respondents.

Despite the widespread use of the term "survivor syndrome", it has not been adequately or operationally defined. Littler *et al.* (1996) defined it in terms of six key Human Resource Management variables i.e.

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- Job dissatisfaction; (increased levels)
 - Staff motivation; (decreased levels)
 - Staff commitment; (decreased levels)
 - Morale among staff; (decreased levels)
 - Concern about job security; (increased levels)
 - Perceived promotional opportunities. (decreased levels)

These factors were used consistently across the survey questions in relation to the workforce in general. Other factors could have been incorporated, such as stress levels, but Littler *et al.* (1996) wished to keep the construct as simple as possible to avoid problems of weak convergent validity. The works of Brockner *et al.* (1985), Greenhalgh & Jick (1989), and Cameron *et al.* (1993) suggest that the above factors are common across a range of studies and should have convergent validity.

In defining the limits of this study, it should be noted that the unit of analysis was the organisation, not the individual employee. We asked HR managers about their perceptions of a variety of employee attitudinal factors including morale, staff commitment, perceived promotional opportunities, motivation, job satisfaction and concern about job security. Respondents were asked to assess these items in relation to three categories (increased, decreased and unchanged). It is reasonable to assume that if any bias occurred the HR managers would under-report employee downturns in morale and commitment. The questionnaire was administered in South Africa during May/June 1996.

STATISTICAL ANALYSIS

The ordinally scale was used as the level of measurement. For the purpose of this paper, descriptive and non-parametric statistics were employed in order to demonstrate comparative trends in the data.

To determine differences between the private and public sectors on the effects of downsizing on key human resource variables, the Mann-Whitney U-test was used. To determine the effect of depth and frequency of downsizing in respect of the survivor syndrome the Kruskal Wallis rank order analysis of variance was used. The Spearman rank order correlation coefficient was calculated to determine whether depth and frequency of downsizing are related to the intensity of the survivor syndrome. The SPSS for Windows Statistical Package, Release 6.1, was applied for all statistical procedures.

It was reasoned that staff working in the human resources area of organisations would have a perspective on restructuring, which is reasonably well-informed

and is more detached than line managers who may be directly affected by such organisational change. The sampling frame was derived from the professional register obtained from the South African Board for Personnel Practice. One thousand two hundred names were randomly picked from the register, and the sample represents more organisations than those noted on the Stock Exchange. A questionnaire, accompanied with a covering letter, was mailed to each member of the sample. A reminder and an additional copy of the questionnaire were sent to approximately 500 respondents six weeks after the initial mailing. Of the questionnaires originally sent out, 421 responses were received. This represented a rate of 35.08%. Of the 421 questionnaires sent back, 17 were spoiled and 22 returned unopened or unanswered.

The number of usable questionnaires received from each industrial sector for South Africa is shown in Table 2.

Table 2 Respondent industry profile

Industrial Sector	Frequency (n)	Percentage (%)
Agriculture	17	4.5
Mining	45	11.8
Manufacturing	87	22.8
Electricity and Gas	27	7.1
Construction	8	2.1
Trade and catering	31	8.1
Transport, Storage and Communication	33	8.6
Finance	50	13.1
Public Administration	25	6.5
Community service	48	12.6
Other	11	2.80
Total	382	100

The distribution of the responding organisations in terms of sector and number of employees is provided in Tabel 3.

Table 3 Characteristics of participating organisations

Organisational variables	Frequency	Percentage
Organisational Sector	n	%
Private Sector	266	69.6
Public Sector	115	30.4
Total	381	100
Number of Employees	n	%
0-500	84	22.0
501-1000	55	14.4
Over a 1000	243	63.6
Total	382	100

RESULTS

Comparative trends

Of the 382 organisations in South Africa participating in this study, 60.4% indicated that they had been involved in downsizing during 1994 to 1996. Downsizing were more prevalent in the public sector (62.8%) than in the private sector (59.6%).

Table 4 Downsizing trends in South Africa: 1994 - 1996

Downsized	Country	Sector	
	South Africa n=381	Private n=266	Public n=155
Yes	60.4%	59.6%	62.8%
Not at all	39.6%	40.4%	37.2%
Depth of workforce reduction	Downsizers n=229	Downsizers n=158	Downsizers n=71
1-10%	59.8%	57.0%	66.1%
11-20%	24.5%	27.2%	18.3%
21-30%	7.4%	7.6%	7.1%
More than 30%	8.3%	8.2%	8.5%
Frequency of workforce reduction			
Once	42.7%	39.3%	52.2%
Twice	16.8%	15.2%	19.7%
3 or more times	40.5%	45.5%	28.1%

The data in Table 4 show that the majority (59.8%) of the South African organisations had a workforce reduction of between one and ten per cent. Fifty six (24.5%) of the employers reduced their workforce between 11% and 20% and seventeen (7.4%) reduced their workforce between 21% and 30%. Only nineteen organisations reduced their workforce by more than 30%.

Forty three per cent of the South African organisations downsized once, 16.8% downsized twice and 40.5% were engaged in workforce reduction three times or more. The data indicated that only 28.1% of the organisations in the public sector had downsized three or more times over the two year period 1994/1996. This figure is significantly lower than the private sector which had downsized three or more times in 45.5% of cases.

SURVIVOR SYNDROME

The downsizing survivor syndrome is normally defined as the set of emotions and behaviours exhibited by employees who remain in the organisation after the process of downsizing is completed. Table 5 summarise the comparative effects of downsizing on morale, staff commitment, perceived promotion opportunities, motivation, job dissatisfaction and concern about job security.

Table 5 The effects of workforce reduction: downsizing syndrome

OUTCOME	COUNTRY		SECTOR			
	South Africa n=229		Private n=158		Public n=71	
	Inc	Dec	Inc	Dec	Inc	Dec
HRM variables						
Morale	9.2%	75.4%	12.8%	70.5%	11.3%	87.3%
Staff commitment	13.8%	68.8%	18.4%	59.9%	2.8%	88.7%
Perceived promotional opportunities	32.5%	43.2%	40.6%	32.9%	23.9%	64.8%
Motivation	12.6%	70%	17.2%	61.6%	2.8%	88.7%
Job dissatisfaction	48.6%	20.8%	43.8%	21.9%	59.4%	18.8%
Concern about job security	80%	7.6%	77.8%	6.5%	84.5%	9.9%

According to Table 5, employee morale fell in 75.4% of cases, commitment decreased in 68.8% of cases and motivation decreased in 70% of cases, while concern about job security increased in 80% of cases.

A comparison between the perceived effects of downsizing by the private and

public sectors respondents disclosed a similar pattern. However, the survey results showed that the public sector was more affected by the negative effects of downsizing. Of the cases surveyed, employee morale decreased by 87.3%, staff commitment decreased by 88.7%, perceived promotional opportunities decreased by 64.8% and motivation decreased by 88.7% of cases. Concern about job security increased in an overwhelming 84.5% of cases.

The Mann-Whitney U-test confirmed significant differences ($p < 0.01$) between the public and private sectors in relation to four of the survivor syndrome variables i.e. morale, staff commitment, perceived promotional opportunities and motivation.

Table 6 Differences between the private and public sectors in respect of the effects of downsizing on the survivors

HRM Variables	Private n=156	Public n=71		
	Mean Rank	Mean Rank	U-Value	2-Tailed
Morale among staff	120.62	99.45	4505.0	0.0028*
Staff commitment	122.84	88.80	3749.0	0.0000*
Perceived promotional opportunities	124.02	90.53	3871.5	0.0001*
Staff motivation	121.67	89.87	3825.0	0.0000*
Job dissatisfaction	103.01	118.55	4309.0	0.0635
Concern about job security	110.53	116.75	5130.0	0.3386

* $p < 0.01\%$

An analysis of Tables 5 and 6 confirms that workforce reduction has a negative effects on the survivors and that downsizing leaves people bruised and far less committed. It also destroys employee trust in the organisation.

DISCUSSION

In some ways these results are not surprising, because added into the mix of downsizing and restructuring in South Africa, there was the change in government, the loss of political power by whites, the end of apartheid and the introduction of affirmative action. The ratios of 4:3 in promotion opportunities in the private sector and 2:6 in the public sector were rather surprising. These results may be due to the policy of affirmative action, which has become a mainstream labour practice in the public sector since 1994.

Due to affirmative action, many competent black managers in the public sector find themselves in an enviable position with regard to promotion. Many white managers find themselves on a career plateau with restricted career opportunities. The following written comment by a white male respondent summarises the perception: "Affirmative action has resulted in many people skipping the normal promotional steps. This has led to a decreased perception of promotional opportunities by especially white people, and inefficiency caused by delays, while they (the new managers) learn the job and often learn by their mistakes. The latter has led to a high level of frustration on the part of many colleagues. Stress levels have increased enormously".

However, affirmative action and empowerment of at least some black people do not explain the South African picture. The South African downsizing story cuts across both sectors. The figures in Table 5 reflect a scene of civil servants in crisis as restructuring erodes old securities. South African insecurity indigestion has not been assisted by the extent and depth of the public sector restructuring. 300 000 public service jobs are to be shed in three years. Headlines like "Public servants in panic over an uncertain future" (Pretoria News, 1996: 19) circulate regularly, fuelled by statements from politicians like "no public servant should feel ensured of a job in the public service in three years time!" (Pretoria News, 1992: 19).

Though there are idiosyncratic factors (such as the affirmation action policy effects), the data suggests a consistent pattern which confirm the negative effects of downsizing on worker behaviour. However, literature (Litter C R *et al.*, 1996) suggests that the intensity of the survivor syndrome may be influenced by the depth, frequency and recency of downsizing.

For the second objective of this paper, we try to identify the factors that influence the survivor syndrome outcomes. The question we try to answer is: what factors intensify and modify the survivor syndrome?

Depth of downsizing

The downsizing literature suggests that depth of downsizing (10% versus 20% for example) makes a difference to the HRM outcomes. For example, Brockner (1988: 230-1) found that lay-off severity was negatively associated with organisational commitment. This notion has been expanded to a more complex explanation by some researchers. However, no significant ($p > 0.05$) correlation (ρ) was found between the depth of cutting and the six key HRM variables which represent the survivor syndrome (Table 7).

Table 7 Spearman rank order correlation between depth and frequency of workforce reduction and the effect of downsizing on the survivors (n=226)

Effect of downsizing (HRM variables)	Workforce reduction	
	Depth	Frequency
	rho	rho
Morale among staff	-0.052	-0.042
Staff commitment	-0.009	-0.031
Perceived promotional opportunities	-0.126	-0.082
Staff motivation	-0.028	-0.052
Job dissatisfaction	-0.009	0.026
Concern about job security	-0.135	0.002

$p > 0.05$

In order to determine whether depth of workforce reduction (1-10% to more than 30%) makes a difference to the HRM variables, the Kruskal Wallis rank order analysis of variance was executed in respect of all the South African data as well as for the public and private sectors data. The analysis yields no statistically significant difference ($p > 0.05$) between depth of workforce reduction and the intensity of the survivor syndrome. The depth of cutting seems to have no effect on the survivor syndrome outcomes (Table 8).

Table 8 Kruskal Wallis rank order analysis of variance for depth in workforce reduction in respect of the effect of downsizing on the survivors (n=226)

Effect of downsizing	Depth of workforce reduction				Chi-square	Significant
	1-10%	11-20%	21-30%	30%>		
	n=135	n=56	n=16	n=19		
	x rank	x rank	x rank	x rank		
Morale among staff	116.13	107.25	108.66	117.32	1.5686	0.6665
Staff commitment	111.99	110.46	111.31	111.34	0.0342	0.9983
Perceived promotion opportunities	118.74	108.56	100.72	95.95	3.6758	0.2987
Staff motivation	112.69	106.21	108.13	115.42	0.8049	0.8483
Job dissatisfaction	112.71	105.96	102.43	78.67	5.8274	0.1203
Concern about job security	111.73	115.30	113.78	102.66	1.1446	0.7663

$p > 0.05$

Frequency

Another factor which may influence the survivor syndrome is the frequency of downsizing. As we mentioned in the introduction, 40.2% of the South African organisations had downsized three or more times over the two year period 1994-1996. In the private sector 45.5% of the organisations have downsized three or more times over the two year period. 52% of downsizing organisations in the public sector had downsized once and only 28.1% downsized three or more times over the two year period. The frequency of downsizing has been less in the public sector than the private sector and this may be due to the fact that the restructuring cycle is still relatively new in the public sector.

According to Jeffrey Pfeffer, a professor of organisation behaviour at the Stanford Graduate School of Business, case studies show that repeated waves of downsizing are crushing to morale, reduce credibility and trust in management and make high performance work practices difficult, if not impossible, to implement (Laabs, 1999: 10). This view is not supported by Louw (1995). He found that organisations that had downsized before, and then downsized for a second time, experienced less of a negative impact on job focus than they did the first time round.

The results of our study also revealed no empirical evidence of a relationship (ρ) between frequency of downsizing and the six key HRM variables which constitute the survivor syndrome (Table 7). The Kruskal Wallis rank order analysis of variance also yields no statistically significant difference ($p > 0.05$) between the frequency of workforce reduction and the survivor syndrome. The frequency of cutting jobs also seems to have no significant impact on the intensity of the survivor syndrome (Table 9).

Table 9 Kruskal Wallis rank order analysis of variance for times engage in workforce reduction in respect of the effect of downsizing on the survivors (n=226)

Effect of downsizing	Frequency of workforce reduction			Chi-square	Significant
	Once n=95 x rank	Twice n=39 x rank	Three+ n=92 x rank		
HRM variables					
Morale among staff	116.52	112.64	111.95	0.4369	0.8038
Staff commitment	113.40	113.76	109.81	0.2652	0.8758
Perceived promotion opportunities	120.57	104.29	109.81	2.5205	0.2836

Table 9 continued

Effect of downsizing	Frequency of workforce reduction			Chi-square	Significant
Staff motivation	114.55	110.49	108.67	0.6076	0.7380
Job dissatisfaction	104.67	117.19	107.75	1.2418	0.5375
Concern about job security	110.82	120.20	111.03	1.3257	0.5154

$p > 0.05$

Recency of downsizing

The third possible factor that may influence the survivor syndrome outcomes is recency of downsizing. The recency argument has not been fully articulated in the literature, with the possible exception of the "grief model" applied to organisational change. Downsizing and restructuring cause considerable problems at both a personal and structural level according to Stevenson (1998). The results of job loss on displaced people have been studied by psychologists for many years and findings show indisputably that redundancy has traumatic effects on people who lose their jobs. Those who have to carry out the task of job termination and those who stay behind in the organisations are similarly affected. A form of organisational trauma is experienced which impacts on productivity and profitability. However, over time the situation "cools down", people adapt and the "grief" problems are finally resolved by acceptance. Many people will leave the organisation including those who are most dissatisfied (Stevenson, 1998: 42).

The public sector only started extensive downsizing and restructuring since 1994, although some restructuring efforts date back to the early nineties. Our survey results indicate that survivor syndrome outcomes are extremely negative in the public sector (see Table 5). The negative impact of downsizing was still fresh in respondents' minds at the time of the survey and it is obvious that the situation had not "cooled down" yet. People have not adapted and the "grief" problems have not been resolved to a final stage of acceptance.

The respondents in the private sector have gone through downsizing much earlier and the situation seemed to indicate that the effect of the downsizing was not as intense as in the case of the public sector. These results imply that the recency of downsizing may influence the intensity of the survivor syndrome. Further longitudinal research is needed to confirm this view.

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CONCLUSIONS

We aimed to investigate the impact of downsizing on survivors . In this paper we have presented some of the initial results. It is evident from the results that the impact of downsizing has hit South African employees hard.

The results of the study confirm previous findings on the “survivor syndrome” (Brockner *et al.*, 1985; Brockner *et al.*, 1987; Brockner, 1988; Louw, 1995; Littler *et al.*, 1996). Although in the South African environment other factors such as wide-spread socio-political changes and policies of Affirmative Action could have impacted on the negative outcomes, the data suggest a consistent pattern confirming the negative Human Resource effects of downsizing.

Downsizing is not a temporarily phenomenon that will soon disappear. Until recently, few voices have been raised against downsizing as a corporate strategy. However, as disenchantment about downsizing as a strategy has spread in the USA, it has been taken up as the restructuring strategy in many other economies. The paradox is that many U.S. firms now express misgivings about the principles of downsizing. It partly relates to the widespread phenomenon of survivor syndrome in the United States. Such a phenomenon implies that the objectives related to downsizing and organisational restructuring are often contradictory (Laabs, 1999: 1-10). Downsizing as a stand-alone strategy can minimise or negate any productivity improvements sought from a leaner workforce and job redesign.

ENDNOTE

This paper is part of a broader project on organisational restructuring, downsizing, delayering and management labour markets co-ordinated by Professor Craig R. Littler in conjunction with Dr. Retha Wiesner (University of Southern Queensland), Professor Richard Dunford (Victoria University of Wellington), Dr. Tom Bramble (University of Queensland), and Professor Leo Vermeulen (University of Pretoria).

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