INNOVATIVE PUBLICATION
Journal of Effective Learning and Sustainable Innovation
Vol.4 №5 (2026). MAY
innovativepublication.uz

Corporate Downsizing During the COVID-19 Era: The Role of Emotional Intelligence, Motivation Theories, and Effective Communication in Human Resource Management

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Abstract

The COVID-19 pandemic created significant challenges for organizations worldwide and forced many businesses to adopt workforce reduction strategies to sustain operations during periods of uncertainty. Along with economic pressure and organizational restructuring, companies increasingly shifted from traditional face-to-face interactions to remote communication methods, including virtual layoffs. This transition introduced new concerns regarding employee well-being, motivation, emotional stress, and organizational trust. This paper examines corporate downsizing during the COVID-19 era through the perspectives of emotional intelligence, motivational theories, and effective communication. The study analyzes examples of organizational downsizing practices and evaluates their impact on dismissed employees as well as layoff survivors. Particular attention is given to communication barriers associated with online environments and leadership behavior during crisis situations. The paper also provides practical recommendations aimed at improving the downsizing process through transparent communication, empathetic leadership, and employee-centered management approaches.

Keywords: Corporate downsizing; COVID-19; emotional intelligence; employee motivation; effective communication; virtual layoffs; organizational behavior; human resource management; employee well-being; crisis management

Introduction

Human resources are among the most valuable assets of any organization. Companies invest substantial time, effort, and financial resources in attracting, developing, and retaining talented employees. However, unexpected global events such as economic crises, recessions, and public health emergencies can significantly affect business operations and workforce stability. The COVID-19 pandemic created unprecedented challenges for organizations worldwide and forced many businesses to reconsider their

operational and workforce strategies.

Government restrictions and lockdown measures implemented during the pandemic disrupted economic activity and created financial pressure across many industries. As a result, organizations increasingly introduced hiring freezes, restructuring initiatives, and workforce reductions to maintain productivity and survive uncertain conditions. At the same time, the rapid transition to remote work changed traditional communication methods and transformed the process of organizational downsizing.

Many companies conducted layoffs through virtual platforms and online meetings. While technology enabled organizations to continue operations during quarantine periods, it also introduced challenges related to communication quality, employee well-being, and perceptions of fairness. Research indicates that ineffective downsizing practices may negatively affect both dismissed employees and those who remain in the organization. Therefore, emotional intelligence, motivation theories, and effective communication play a critical role in managing organizational change and reducing the negative consequences of workforce reductions.

This paper explores the relationship between corporate downsizing, emotional intelligence, motivational theories, and effective communication during the COVID-19 era. It aims to evaluate the impact of virtual downsizing practices on employees and identify practical recommendations for organizations seeking to conduct restructuring processes in a more ethical and effective manner.

Corporate Downsizing – Emotional Intelegence and Motivational Theories

HR specialists do a lot effort to attract talents to the companies. Company wastes its time and finance to have the best employees in the labor market. However, unexpected situations in the world: economic crisis, recession and COVID-19 pandemic affects both business and employees. Because of high levels of spread of the virus among population governments decided to lockdown the people and limiting their actions. In such situations business had to cut some jobs to maintain productivity.

In the survey done in March 2020 About 50 % of companies in the USA said that they were likely to do downsizing due to COVID-19 and 37 % of them said that they had already instituted a hiring freeze. Federal Reserve stated that the coronavirus economic crisis could cost 47 million jobs and raise the unemployment rate to 32% (Baret, 2020).

Because of lockdown in many countries, organizations had to do layoff via video calls, Zoom meetings. In this case the research has been done and it was found out that not

all companies did downsizing in a proper way.

Experts believe that being laid off while working from home is adding a new layer of stress for many employees. (Knowles, 2020) There are some examples of companies who made redundancy not in a proper way.

The first one is the company Weight Watchers. They downsized about 400 employees in one Zoom meeting and they muted all the voice of all participants and blocked their videos, they made only Zoom audio calls. Unless they provided face to face talk with the managers their announcement was unprofessional, humiliating, cold, scripted and quick. All laid off staff were shocked (Knowles, 2020).

Another even worse situation happened in the company Bird. They created a meeting on exact time 10:30, keep a black screen and there appeared the word "COVID-19". There were not any voice or video first 5 minutes, and afterwards recorded voice started to announce about job cuts, the company just played the audio. After the session the employee could not enter their job account and their computers automatically restarted and all information related to company was deleted. Some of employees decided to exit the meeting they thought it was technical issue and they could not understand how they were fired. It was totally unfair in relation to employees. The management team of company just did not take responsibility to do the corporate downsizing professionally. Their laid off staff said that it had felt like a Black Mirror episode (Sapra, 2020).

From these two situations it is clear that organasitions were not interested in emotional state of workers. Being unemployed add more negative mood to person, but being fired in this way makes them twice depressed. Especially this situation related to pandemic has already increased the level of stress among people. In this situation the Bird left their staff in an uncertain condition instead of making clear guidelines about their future actions and how company could support staff after laying off. Depend on Maslow's hierarchy people have to feel security in order to be motivated (Frager and Fadiman, 1997). It concerns to survived employees. In the case of Bird company, employer made leftover staff less motivated by this kind of layoff style.

Downsizing is difficult process in normal times; due to the COVID-19 global health crisis, the task is "emotionally and cognitively overwhelming," says Joshua Margolis, a professor at Harvard Business School. "It is even harder to achieve in our situation", he says. "There's a lot of uncertainty and people's minds are confusing" (Knight, 2020). Kenneth Freeman, Dean Emeritus at Boston University's Questrom School of

Business, says that this tension rises when you are a manager and worried about your own fate while you are laying off your subordinates (Knight, 2020).

Airbnb showed one of the good examples of virtual downsizing. The director made a great speech where he highlighted that employees leaving the company are good workers, at the end gave some instruction about benefits after being laid off. Hearing about the benefits from the CEO people will feel more secure about the future (Kelly, 2020). In this case company kept the remaining staff motivated as well they know what to expect from company if they were in the layoff list. This is an example of using 'Expectancy theory' of Victor Vroom in practice (Vroom, 1964).

Downsizing does not only affect the laid off employee but creates a considerable impact on employee which remain in the organisation, people can call them 'Lay-off survivors.' They experience many psychological, emotional and physical issues. They are responsible for additional tasks along with guilt, anxiety, uncertainty, depression, confusion, insecurity and they also have the sense of loosing friends.

To do the corporate downsizing properly directors, leaders, managers in the company should have a good emotional intelligence to influence employees' mood to keep them motivated.

Effective Communication

Effective communication is a crucial part of work management, productive outcome and progress of the organisation. According to Darling and Beebe, (2007) the essential aim of effective communication is to develop a common understanding of the message from both the sender's and receiver's perspectives. Effective communication can be divided into three main parts: listening, understanding and responding. Listening part consist of listening the words that were told, taking nonverbal signals such as body language, expression, tone voice etc. The last step of effective communication is understanding of what were heard. Communication can be easily broken up in this stage due to misunderstanding or wrong interpretation of the words and nonverbal signals. According to research during communication words play only a 7% of the receiving information, tone and voice – 38% and 55% of body language. This shows that the majority of the information comes not from words meaning but from non-verbal cues that the person gives.

One of the corporate downsizing methodologies discussed in the literature is the GLOCAL (Global-to-Local) approach. The aim of this methodology was to downsize

organizations by online meeting (via a video call), which allows the organization to reduce costs and cover different parts of the country just using technology from one office. However, based on the theory of effective communication that more information people read off from non-verbal signals, that are omitted during online communication, it can be concluded that this method is harmful especially for layoff process. Layoff is highly stressful situation for an employee and it is important to make the person feel support, empathy and understanding. It will be extremely difficult to achieve this purpose through online discussion, due to omission of non-verbal part of communication. During online laid off process person remains alone with problem and stress, which can lead to tragic consequences. However, research shows that during COVID-19 pandemic many organisations had to do online downsizing, while some companies such as Uber, (Bort, 2020), American Airlines (Josephs, 2020), Tesla (Staff, 2020) used the practice of group layoffs of employees through video conference. This method has both positive and negative sides. Employees who were fired by this method clarified the negative aspects that in this case person does not understand who they are addressing the message, does not feel support or the fact that s/he was valuable, and also does not have the opportunity to ask questions at the time. However, a group online layoff allows to turn off the camera and not to show the emotions. Based on the research online group layoff process shows disrespect for employees and their feelings; has more negative impact on a person and can lead to tragic consequences.

According to Mr Malone (Sooraj, 2020) the best way of layoff process is still one-to-one communication whether it is video call or face to face meeting. Sarah Evans, partner at law firm JMW (Sooraj, 2020) pointed out that according to UK Law the "group call" of turn off process is not allowed.

Recommendation for proper organisation and conduction online layoff

Based on the research and experience of international companies that had to do downsizing during quarantine the several recommendations have been provided.

It is important to be honest and transparent about the conditions that the organization faces. Employees deserve to know the truth and they should be informed about the decision taken in advance. Speak direct, clear to the point.

Steps to be prepared *before* the meeting:

- Expect emotional reaction. Take time to think about each employee and how they might react to bad news, research of the previous reactions to emotional situation in the past might be a hint.
- Get ready and brainstorm the questions that employees might have.
- Know the right phrases that should be said. It is good to start the conversation from gratitude and recognition of the contribution to the business.
- Train managers who will deal with layoff conversation. It is important that manager will come to the conversation with confidence and knowledge how to handle it and how to move forward.
- Prepare informational packet to employee (severance pay, benefits, employee assistance, retirement benefits etc).
- Organise individual meeting for each employee.
- Allocate time properly. Leave time for Q&A so that the employee understands the whole process and timing.

Emotional Care during COVID-19

There are many critical situations after downsizing because work is not just the source of money for people, it is one of the main parts of their lives as people spend 1/3 part of their life in their workplace. It is not hard to determinate that unemployed people after downsizing could feel strong financial stress. Additionally, employees are affected by many serious mental health problems when they unexpectedly become unemployed.

Being employed is not just about having an income, people can have a sense of purpose and fulfillment, strong social networks, and do self-development. Neuropsychologist Brittany LeMonda claims that job make people feel a sense of self-esteem, advocacy and she does not reject the fact that salary and financial rewards are one of the main reasons for working. Job place gives people the feeling of being connected to others. (Staglin, 2020)

It is clear that there is a link between self-worth and the bank account of an employee and staff abuse and even suicide after being laid off.

Based on International labor organisation (ILO) surveys good practices of restructuring during COVID era were determined. ILO recommends organisations to analyse the situation deeply before deciding to downsize employees. If it is necessary employers should go through steps provided below:

- Deal with opinions of workers and their supervisors.
- Foresee the impacts of layoffs and prevent employee from critical outcomes.
- Being careful in selection of staff who is going to be downsized, be objective and non-discriminative'
- Establish mechanisms where people can discuss controversial issues and complaints (International labor organisation, 2020).

Recommendations for Uzbek employers in COVID era:

- Hire professional psychologist to keep emotional atmosphere among employees;
- Organize hot lines where people can share their problems and get advises;
- To do analysis of the business before downsizing, do not rush to decide it;
- To develop the program where laid off people and the employee who are remaining can ask their questions and discuss some controversial issues;
- Develop step by step downsizing strategy for the company;
- Teach the managers to be empathetic and develop their Emotional intelligence
- Learn conflict management;
- Maximally decrease the impact of communication issues.

Conclusion

Corporate downsizing during the COVID-19 pandemic highlighted the importance of human-centered leadership and effective communication during periods of organizational crisis. While workforce reduction may become necessary due to economic conditions and external disruptions, the manner in which such decisions are implemented has a substantial impact on employees and organizational outcomes. Evidence discussed in this study demonstrates that poorly managed layoffs can create psychological distress, reduce motivation, damage trust, and negatively influence both dismissed employees and layoff survivors.

The transition toward virtual work environments introduced additional communication challenges. Online layoffs, often reduced opportunities for empathy, interaction, and emotional support. In contrast, organizations that demonstrated transparency, compassion, and clear communication practices were better able to preserve employee trust and minimize uncertainty.

The study also emphasizes the relevance of emotional intelligence and motivational theories in understanding employee reactions during downsizing processes. Leaders

capable of demonstrating empathy, recognizing emotional responses, and communicating effectively can reduce negative consequences and support healthier organizational environments during crises.

Organizations should therefore prioritize careful planning, manager training, individualized communication, emotional support mechanisms, and transparent policies during restructuring initiatives. Future organizational strategies should focus not only on financial sustainability but also on maintaining employee dignity and psychological well-being. A balanced approach to downsizing can contribute to long-term organizational resilience and strengthen trust between employees and management.

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