



Rightsizing does not have to be a legal quagmire!

BACKGROUND

An European Company involved in oil and gas service sector was facing financial troubles. Their Indian operation was also suffering because of downturn in oil and gas sector over the past 2 years. The Indian subsidiary had to reduce costs and decided to go in for rightsizing of workforce.

CHALLENGES

- Reduction of workforce, which had been providing services for considerable period of time.
- What will be the adequate compensation payable to workers being let go?
- What strategy is required to be followed in order to ensure that chances of litigation are negated and the process of rightsizing is smooth?
- Justifying why rightsizing is necessary.
- The major challenge was to identify/ classify the employees, as to whether they were falling under the definition of “workman” under the Industrial Disputes Act, 1948 and then ascertaining the legal compliance required.
- Justifying why particular employee had been chosen for rightsizing and not his immediate colleague.

APPROACH AND STRATEGY

1. It was necessary to understand the job profile, task performed by the employee in the context of company's service portfolio, his qualifications, decision making capacity, application of independent judgment and ability to bind the company to classify the employees as to whether they were “workman” or not.
2. Extensive research showed that there was severe downturn in the oil and gas industry, which had directed impact on the business of companies providing services to oil and gas sector.
3. Research showed that, companies across the globe were opting for rightsizing in order to keep cost in control and to stay afloat.
4. Group Companies had also resorted to similar rightsizing exercise.
5. Employees for rightsizing were identified based on work that was available currently and prospective assignments in the respective departments. The past record of employees were also pulled out along with degree of expertise.
6. Severance/ compensation package was designed based on company's ability to pay as well as expectation of employees and industry norms.



Abhay Nevagi & Associates

ISO 9001:2008 & ISO 27001:2013 Certified

Rightsizing does not have to be a legal quagmire!

IMPACT

1. The process of rightsizing went smoothly. Employees understood the situation and tender their resignation.
2. The Company was able to reduce their head count by almost 30%.
3. There have been no litigations in this respect.