



# Managing Uncertainty: How Layoff Anxiety Is Changing the Employee Experience

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# Introduction

In the face of an unstable economic landscape and a surge in layoffs, Perceptyx compiled several studies in 2022 and 2023 to explore the impact of these job losses on employee experience and well-being, and recommend strategies to build resilience among workforce survivors. The most comprehensive of these — the December 2022 Perceptyx Workforce Panel — revealed that layoff anxiety was pervasive, and not without reason: more than one-fourth of employees witnessed layoffs in their organization, a number that rose in subsequent months. These findings highlight the crucial role of open, clear communication in mitigating layoff anxiety and demonstrate the negative consequences of this anxiety on employee well-being, workplace relationships, and the organization at large. In this report, we'll explore these findings in more detail and offer practical strategies to help address layoff anxiety and foster resilience amid challenging economic times — a period when employee listening is more important than ever.





# The Current Climate

Judging from the media headlines, layoffs have swept many sectors of the economy – sparking layoff anxiety in many more. According to tech jobs tracking website [Layoffs.fyi](#), more than 197,000 jobs in this sector have been lost since January 2023, with 687 companies reporting layoffs. Other sectors also show signs of concern. Tyson Foods, David's Bridal, Morgan Stanley, and Lyft, [among others](#), have joined in the cuts. The recent “mega-merger” between US supermarket giants Kroger and Albertsons [could result](#) in the sale of hundreds of stores and the loss of thousands of jobs.

Job openings, a key indicator of labor demand, [fell by 384,000 to reach 9.59 million at the end of March](#), marking the lowest level seen since 2022. The professional and business services sector reported a decrease of 135,000 job openings, while retailers noted a decline of 84,000 vacancies. Healthcare and social assistance sectors also experienced notable decreases. At least for the time being, layoffs appear to be here to stay. Still, the labor market remains tight with [1.6 open roles](#) for every unemployed person and the [projected labor shortage](#) due to shifting demographics continues to be a concern.

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# Research Reveals a Workplace Experience Characterized by Layoff Anxiety

With this unsettled state of play as background, Perceptyx conducted a study to understand the prevalence — and impact — of layoff anxiety in the workplace. In December 2022, we found that 27% of employees had experienced some layoffs at their organization in the past six months, with half of that group (13% of the population) being laid off themselves. Moreover, 1 in 8 employees reported losing a direct supervisor to a layoff. **These numbers have increased over the past six months according to the May Perceptyx Workforce Panel, where nearly 4 in 10 of those surveyed report company layoffs — with 18% being personally laid off — and 1 in 4 losing a supervisor to a reduction in force.**

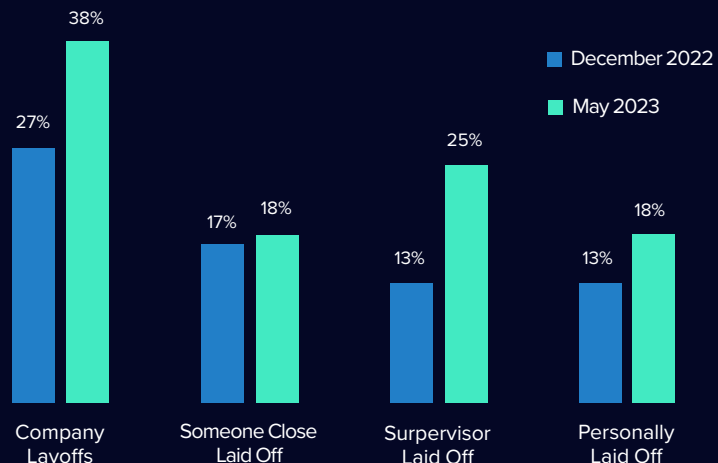
The larger result is the continued overall presence of layoff anxiety. Job loss jitters were present in more than half of the employees in nearly every subgroup studied, with the most prominent concerns among young, white-collar fathers.

While most companies resort to a variety of other cost-cutting measures before resorting to layoffs — only 1 in 4 employees experiencing layoffs doesn't report seeing any of these before colleagues were let go — they are at times a business reality. Given this, organizations will be put in a position where they must stave off layoff anxiety and build resilience in those left to carry the work forward.

Open, clear communication is one strategy to mitigate layoff anxiety. One notable finding was that employees display **higher levels of worry when there was speculation about layoffs versus when their organization had issued official communication about actual cuts.** Ninety percent of employees who heard reduction-in-force rumors had some layoff anxiety — 8 points higher than those working in organizations that had actually executed lay-off actions, highlighting the importance of communicating, not just frequently, but honestly to limit rumor-mongering.

Employers must do their best to get ahead of the worry. Almost two-thirds of the workforce is walking around in a state of anxiety, and it's accompanied by all sorts of negative behaviors, both in the workplace and at home. At home, we've seen new developments such as sleep disruptions, periods of low energy, and using food or substances as coping mechanisms. At work, we see snapping at co-workers, increased job-seeking behaviors, and the withholding of discretionary effort.

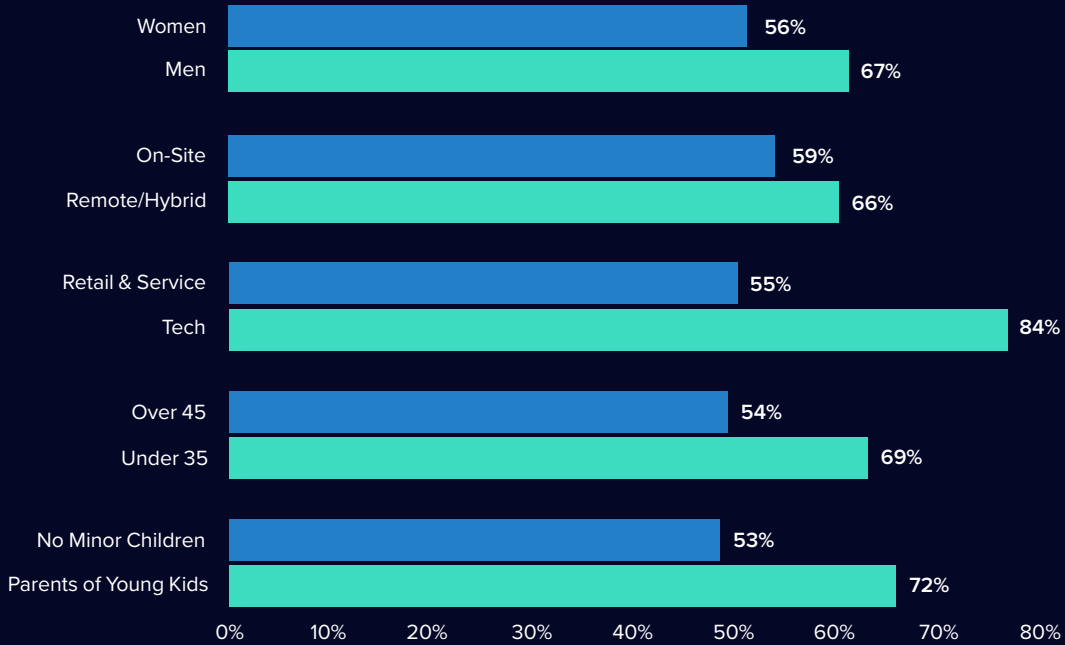
**The percentage of workers who have been exposed to layoffs over the prior 6 months is on the rise.**



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### Layoff Anxiety Has Hit Some Groups Harder than Others





# Layoff Anxiety Is Bad for Business

Overall, U.S. employees are increasing their job-seeking behavior. In December, 56% of employees reported at least one job-seeking behavior in the 30 days prior to the survey. That number has increased to 64% in May.

Anxiety compounds this problem. **Nearly 2x as many employees say that recent layoff news has increased their desire to look for a new job versus decreasing it. This number jumps to nearly 3x for employees working for organizations that have had recent layoffs.** Not all reported layoffs or furloughs resulted in long-term unemployment. Most of those employees (65%) are back at work, and among those, the majority are working for the same company that originally let them go. Those rebounds don't plan to stay with that company if they don't have to, however, as they are 5x as likely to be looking for a job elsewhere.

Workplace relationships are also strained by anxiety and layoffs. Regardless of the proximity to the layoffs, recent news has more than 12% of employees reporting that they have been short-tempered and snapping at co-workers. This number nearly doubles (23%) for those either directly or indirectly impacted by a layoff. Nearly 3 in 5 employees, in organizations where layoffs have recently occurred, say it has been difficult to maintain relationships with co-workers since people were let go.

The presence of anxiety throughout an organization can also dramatically decrease the discretionary effort of employees. **Anxiety makes it 1.5x more appealing for an employee to reduce their effort and cease performing activities not in their job descriptions.** Those employees with high anxiety are 2x more likely to reduce their discretionary effort than employees reporting no anxiety. In other words, **the more exposed an employee is to layoffs, the more appealing it will be to reduce discretionary effort and set stricter boundaries at work.**

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# Listening During Tough Economic Times

While it's clear that engaging in open and honest dialogue during tough times can build resilience and mitigate anxiety, it's not always easy to do. As a part of our [2023 State of Employee Listening research](#), Perceptyx studied more than 1,100 senior leaders (half inside HR and half outside) about their employee listening practices, and specifically asked about the desire for employee feedback and their commitment to listening during different business situations.

When asked generally about the best time to listen to employees, most HR leaders in the study thought that listening was equally valued when the organization is growing as when it's not. Leaders outside HR were more opinionated about which circumstance might be best to solicit employee feedback, but were split equally between wanting the information during periods of growth versus periods of contraction. For owners of listening programs, understanding this perception gap is important to becoming better partners with the other members of the leadership team.

When asked more specifically about the importance of listening during the current economic volatility, compared with more favorable periods, there was close alignment between the HR and non-HR leaders. **More than 3 out of 5 leaders said that they placed a higher value on listening during a recession than they do during more favorable times. Only about 10% thought it was less important. Listening is so important to both sets of leaders that, when asked about cost-cutting measures, 2.5x as many leaders said they planned to slow hiring instead of employee listening.** These relationships hold true even for organizations that have implemented budget cuts for 2023 or have had a recent round of layoffs.

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# Layoff Anxiety Is Bad for Well-Being

The presence of anxiety also relates to increased mental or physical exhaustion at the end of the working day. **Employees experiencing layoff anxiety are 1.5x as likely to feel physically exhausted and 1.3x as likely to feel mentally exhausted.** These differences double when people report high anxiety. Whether an employee has been exposed to layoffs at their own company, or just heard about recent job cuts in the news, they are reporting negative effects on their well-being. 1 out of every 4 employees reports periods of anxiety, low energy, and bouts of sadness.

Unfortunately, these same employees have also had trouble maintaining healthy behaviors that may help to mitigate some of the negative effects of anxiety. Nearly 15% of all employees studied have reduced or stopped exercising and 1 in 4 has had a new onset of sleep disruption. Even employees reporting no job loss worries have engaged in negative coping behaviors such as substance abuse or overeating since news of layoffs picked up, with about half having engaged in one such behavior and 18% engaging in two or more. Those employees with even a little anxiety experience a spike in negative coping behaviors, with more than half reporting two or more negative coping behaviors.

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## Three Strategies for Dealing with Employee Layoff Anxiety

If your organization has conducted layoffs this year, is considering them in the near term, or just attempting to maintain business in the face of tough economic news around you, what strategies can you use to mitigate the layoff anxiety of your employees?

- 1. Regularly communicate information about the health of your business.** Layoff survivors who reported open communication about layoffs and furloughs were more than twice as likely to be fully engaged than those whose organizations did not communicate openly. The same was true for employees who were able to ask questions to fully understand the changes and resulting impacts to the organization. This continuous conversation with employees is equally important when layoffs aren't on your radar. Opening a dialogue creates an environment where difficult conversations are not only OK, but encouraged. According to earlier Perceptyx research, employees are 2.5x as likely to be fully engaged if their workplace is a safe place to ask questions when they don't understand a decision, and twice as likely to be fully engaged if they can speak up about things with which they don't agree. Just because leaders aren't talking about it doesn't mean that employees aren't — and without official information, they are left to their (often negative) imaginations. This means that the best time to have a conversation is now — whether your organization is contemplating layoffs, struggling to find talent for open roles, or just dealing with business as usual.

# Side Gig or Primary Gig?

The rise of the gig economy — both for individuals and organizations — has accelerated. For individuals, the benefits include increased flexibility, independence, and the ability to do multiple jobs simultaneously. For organizations, contract labor provides a fast way to scale their workforce — both up and down — as needed, and offers access to a diverse pool of workers and skills, all without a long-term commitment. While it can be difficult to predict how temporary or contract labor will impact organizations in the years ahead, many are looking at contract labor as a possible solution to current belt-tightening. Overall, about 27% of the leaders Perceptyx interviewed as a part of the State of Employee Listening research indicated that they currently rely on some level of contract labor for the daily running of their business.

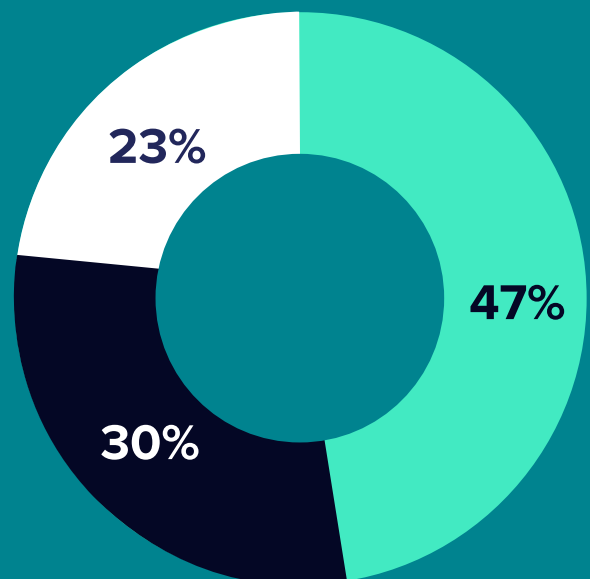
As we look toward 2024, nearly half of organizations intend to increase their reliance on contract labor. With this increase in the number of non-employees in the workforce, their impact on the employee experience — both their own and that of others in the organization — takes on new importance.

How can organizations ensure that they maintain a cohesive culture as workers enter and leave? How can organizations ensure fairness and equity with two classes of workers?

While it's clear that organizations need to be cautious about how they approach these gig workers when it comes to listening events, and ensure that they are following the proper laws to maintain that contract relationship, these workers are a part of the organizational culture and their perceptions are still important to gather. Listening to the feedback of contract workers and including them in discussions about resulting actions will help to ensure that everyone benefits from their inclusion in the organization. In addition, organizations should dig in and analyze where regular employees have different experiences than their itinerant counterparts and assess these differences for impact on organizational performance.

## This year, will your organization increase or decrease its use of contract or temporary labor?

- Increase Contract Labor
- Maintain Contract Labor
- Decrease Contract Labor





## 2.

**Lay the foundation for employee and organizational resiliency now, not just when stress is high.** If you are currently reducing the size of your workforce, it's not too late. If that's you, ensure you are not further decreasing employee well-being by overloading your layoff survivors. **Of those “survivors” of recent workplace layoffs, 61% say team members are taking on increased workloads to compensate for those who were cut and the same percentage have additional worries about being able to hit their goals for the year.** For organizations not currently contemplating layoffs, doing the work to support employees before they are stressed will help mitigate negative health effects when stress comes, whether in the form of a layoff or something else. Pacing work appropriately, offering flexible scheduling, and providing tools and support to help employees handle stressful situations are all keys to minimizing a harmful impact on health and well-being. Perhaps unsurprisingly, the time to build the resilience needed to cope with acute stress is ongoing and should ideally occur before the stressor. Empowering employees to make decisions about their health, being a psychologically healthy place to work, and nurturing teams that cooperate in dealing with issues or mistakes will help boost employee morale after layoffs — or other large-scale changes — and increase their ability to positively manage workplace stress.

## 3.

**Listening is even more important in tough times.** Employees have important perceptions about their workplace experience, and not just during a planned survey period. A recent Perceptyx study of Human Resources professionals regarding employee listening during a possible recession drove that point home, **with more than 60% indicating they would survey and formally listen to employees more during a recession rather than less.** That's why it's important for organizations to have a comprehensive yet adaptable [listening strategy](#) that reaches employees in a variety of ways. However, listening alone isn't enough — organizations must also use that data to act and make decisions. When employees report action, they are nearly twice as likely to want to stay, want to be an advocate, and feel pride and motivation to do good work. As reaffirmed by our [latest research](#) on employee listening, organizations that listen and act well can see around corners and adapt rapidly to change. A mature listening strategy, supported by a world-class listening [platform](#) and people analytics expertise, allows for a rapid organizational response to important topics as they occur, without waiting for scheduled survey events.

# The Anxiety Antidote

The prevalence of layoffs — and perhaps more importantly — layoff anxiety among employees in today's uncertain economic climate underscores the need for organizations to proactively address this issue. By fostering open and transparent communication, building employee and organizational resiliency, and implementing listening strategies, businesses can effectively mitigate the negative impacts of layoff anxiety on employee well-being, workplace relationships, and overall performance. By focusing on these key areas with the aid of a comprehensive employee listening strategy, organizations can maintain an engaged and resilient workforce that is equipped to face the challenges and opportunities that lie ahead.





## About the Author:

Emily Killham is Director of Research & Insights at Perceptyx, a leader in employee listening and people analytics. Focused on building better places to work for more than two decades, Emily has partnered with organizations in nearly every industry, both global and domestic, helping them discover data-driven solutions to organizational problems. She is an expert at quantifying the value of engaged employees in terms of dollars, productivity, turnover, customer loyalty, safety, and absenteeism. Emily has authored several reports on the value of employee listening and is a frequent resource for media covering employee experience trends and the future of work, with recent placements in Employee Benefit News, SHRM, The Financial Times, Fast Company, and the BBC.



## About Perceptyx

Since its founding in 2003, Perceptyx has been redefining the employee insight industry, delivering enterprise-level employee listening and people analytics to more than 600 customers, including one-third of the Fortune 100. With an unrivaled technology platform and a tailor-made, flexible approach, the Perceptyx platform makes it easy for managers, HR executives, and business leaders to discover insights deep within large and complex organizations, driving meaningful action to improve business outcomes. Driven by a deep intellectual curiosity and a culture of innovation, Perceptyx is challenging the status quo – to help people and organizations “see the way forward.”



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