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**International Journal on Research and Development - A
Management Review**

ISSN: 2319 - 5479

Volume 15 Issue 01, 2026

Clearwater Paper Layoffs

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Peer Review Information	Abstract
<p><i>Submission: 13 March 2026</i></p> <p><i>Revision: 0.2 April 2026</i></p> <p><i>Acceptance: 16 April 2026</i></p> <p>Keywords</p> <p><i>Layoff, employee engagement, sustainability, job security, Workload</i></p>	<p>This case examines the strategic, financial and human resource implications of layoffs in April 2026 at Clearwater Paper corporation. The external forces like raw material price, consumer demand and high competitions have resulted in the layoff. This case encourages students to analyze the layoff in perspectives of Managerial decision, financial stability, ethical considerations and reputation of the organization.</p>

Learning Objectives

1. To understand the strategic reasons behind the managerial decisions.
2. To analyze the impact of layoff on employee morale and productivity.
3. To evaluate the ethical considerations in the layoffs.
4. To identify the company's financial advantage over the layoff.

Case Overview

Clearwater Paper Corporation is a producer of High-quality paperboard products. They produce sustainable products instead of using non-renewable resources. The history of this company can tracked back more than 100 years. Clearwater has announced the Layoff associated with the restructuring of its Solid Bleached Sulphate Mill in Cybress Bend, Arkansas. It has planned to reduce its production to 50% and cut down the salaried employee and hourly employee count by 20%. Out of 350 employees, 70 employees were affected, among which 50 employees were laid off and 20 vacant positions were left unfilled. The President and CEO of the company have reported that faced a supply driven downturn in the industry that steadily

suppressed their profit margins. And the layoff would majorly help them to reduce the operating rates and reduce the cost. This mill is well-invested and cost competitive and the management has plans to bring the Cybress mill back to full production when SBS industry conditions improve or by investing in swing CUK capabilities. In addition to working with the union through effects bargaining, the corporation will offer affected workers severance compensation, healthcare subsidies, and outplacement services.

Industry Context

The paper manufacturing industries have been undergoing massive disruptions due to digitalization, sustainability and supply chain crisis. Businesses are under pressure to invest in innovation and ecologically sustainable practices while cutting expenses.

In the fiercely competitive market in which Clearwater Paper works, margins are narrow and operational effectiveness is crucial. Strategic choices are made more difficult by external shocks like input cost volatility and slowdowns in the world economy.

Detailed Case Description

As a part of the Organizational change management effort, the company has announced for the layoffs. The management has explained that the reason for the changes are declining margins, growing operational expenses and the necessity to streamline operational costs. Employees from several departments are affected and there is chaos due to job insecurity, increased workloads and reduced morale. The investor highlighted that the reason behind the cost-cutting measures is balance among the shareholder expectations and the employee interests.

The HR department should manage the layoffs effectively to protect the interests of the shareholders and to serve the affected employees with severance packages, counselling and job assistance. They must also manage the existing employees as they are stressed due to job insecurity and Workloads.

Analysis

From a strategic perspective, the layoff might give short term benefits as it cut down the operational expenses but there may be long term implications as human asset is one of the valuable assets for any organization. Employees who are well trained and experienced in Clearwater who are removed from it, might be a loss to the knowledge repository of the organization.

From the HR Perspective, their role is crucial as they must facilitate for an open communication between the employer and the employee. Affected employees must be provided with needed benefits, counselling and job assistance. The trust among the employees need to restored and engage them required change management practices.

Ethical considerations should be done with utmost care. The company can also consider fairness during layoff and they can be employed back if the mill is planning to regain its full production capacity

From the financial perspective, the layoff would benefit the company by reducing the operational costs. Clearwater can concentrate on profit maximization by working on the external pressure.

Teaching Note

This case is suitable for PG Courses in Human Resource Management, Strategic Management and Organizational Behavior. Instructors can use the case to facilitate discussions on employee wellbeing, employee engagement, downsizing strategies and organizational change management.

Discussion Questions

1. What were the primary reasons for Clearwater layoffs?

Declining demand in some product category, higher operational costs and the need to boost financial performance was some of the primary reasons for the layoffs. External forces played a major role in the layoff as there was decline in the demand for the paper products and higher competition. Additionally increasing costs of the raw materials, energy and supply chain reduced the profit margin to a greater extent. Due to these forces, strategic realignment was done that resulted in the workforce reduction. Thus, external forces and internal strategic alignment were the primary reasons for the layoff, which aimed at cost efficiency, financial stability and long-term sustainability in the competitive environment.

2. What alternative strategies could the company have adopted?

Clearwater could have employed other strategies like redeployment, job redesign and reskilling employee for the upcoming challenging roles. They could have used other policies like reduced working hours, voluntary unpaid leave or Voluntary retirement schemes to reduce or avoid layoff. Collaborative decision making that considers employee opinion would have eliminated layoff. Strategic planning and voluntary attrition would result in natural reduction of the employees in number. Further, open communication and cost saving initiatives by the employees could have been used for operational efficiency and sustainability instead of the layoff.

3. What are the ethical implications of workforce reduction?

Workforce reduction raises significant ethical considerations. Layoff must be done based on ethical objectives that are framed without any discrimination or bias. The ethical responsibility of the organization is to provide an advanced notice, fair compensation and required support for the affected employees. Lack of these factors would result in chaos and confusions, as it could affect employee's livelihood. This would affect employees trust and morale. Since the organization must be responsible for the welfare of the community, balancing the business and humane treatment of the employees become crucial. Therefore, proper planning and execution of the layoffs, with ethical considerations is very important.

4. How do layoff impact employee engagement and Organization culture?

Layoff often led to reduced employee engagement as there are fear and insecurity among the employees. The "Survivor Syndrome"

might reduce trust, morale and productivity. Job insecurity leads to less innovation and productivity. Organizational change management must be planned and implemented effectively to engage employees to the work. However, strong leadership, open communication and transparency in decision making can mitigate these issues. Rebuild strategies must be done to create a conservative and strong organizational culture. This would help to restore positivity in the organization, after the layoff.

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