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**Column Title:** HR Report  
**Publication:** Eastern PA Business Journal  
**Issue:** May 26, 2008  
**Page #:** 5

### **SOME EXECs WILL NEED TO DECIDE: layoffs vs. retention**

It's depressing, it's scary and it's your decision. For those first timers- welcome to the terrifying responsibility of keeping your company alive during a recession.

No matter how business savvy you are and how strategically you run your organization the effects of this recession are leaving some companies with little choice but to conduct employee layoffs. Payroll is often one of the largest costs in an organization and makes the biggest impact to the bottom line....or lack of one.

To begin the process I offer common & alternative options, to help in guiding you towards good decision making. I will be addressing employee layoff decisions vs. financial options. Financial options could drastically change your decision making methodology and I advise consulting with a competent CFO or experienced advisor to assist you best.

It is critical that you are honest, open and communicate as often as possible with your employees. Your employees need your feedback and support. This will go a long way for you now and in the future.

While it is absolutely critical to be empathetic, caring and supportive throughout the process, this is a business. Solid business decisions cannot be determined if made emotionally. This does not mean you should lay-off the new widow with 3 young children, but it does mean that you don't factor that information in until you are making the final decisions. Then by all means, use your heart and common sense to assure that you are taking all efforts to support those with particular needs.

- Often we begin with cutting back administration. These positions frequently do not produce a billable product or service. However if there are duties that will be passed on to higher paid associates the trade off might not justify the cut. Consider first if there is a possibility to cut these employees to a part time basis. Potentially they could collect partial unemployment as well.

**Layoffs vs. retention (cont.)**

- An alternative approach-- take a look at your highest paid employees. The ones you could never imagine living without. Imagine that one of these employees leaves on their own accord, tomorrow. How would you manage the situation? Think through the details. Then ask yourself again, could you live without this position for now? By eliminating one high paid employee you can make a major impact to your bottom line.
- It is OK to do some short term thinking-- what will you be selling during this period of recession. Which positions do you need to perform this work? Can you layoff higher level positions now until the needs for their services return? Could you offer an attractive return package such as a pay increase upon return, additional paid time off, etc. This is always risky as the employee may not return; think it through.
- Can you cut all staff members down to 4 days per week for a specified time period? This way you distribute the cuts evenly and fairly.
- Job sharing- can you cut 2 employees to part time and offer a job sharing opportunity.
- Do you have a staff member with talents or education that you have not yet tapped into? With some quick training perhaps this lower paid employee could perform some higher level work.
- Do you have any business friends that could use an employee like yours for a temporary period? This will need to be spelled out carefully with all parties involved.
- For those that you cannot afford to lose-- communicate regularly and constantly. A loss of a key employee can further hurt the economic stress of the organization.
- Think long term – things will turn around. What will your plan be when this turnaround occurs. How will you handle a possible surge of return business?



### **Layoffs vs. retention (cont.)**

Once the cuts are decided; communicate openly and honestly. There is nothing that will build up gossip more than a corporate memo offering a weak explanation. Eliminate e-communications as much as possible. In advance, plan how you will find a way to communicate face to face with your staff members and what information you can share. Let people know where they stand and as much as possible what they should expect. You absolutely owe your team this level of communication.

Lastly offer support:

- Provide information that will support (not recommend) personal financial decisions
- Carpooling options
- Have bankers, financial consultants or speakers come in to offer advice and alternatives
- Think of their families. Find ways to offer their families a break in the stress they have to endure. Such as discount tickets to shows or parks, video swaps, buy one get one free meals, etc.

Be there for your team in every way. They need you and you need them. And for those that stick by you during these troubled times; remember these folks and take good care of them. These are the people that define your organization.