

## **“People Related Expenses”: How to Make Tough Human Resource Decisions in a Bad Economy**

Every day we are reminded about the country’s economic state. Information is coming at us from multiple sources. People are paying more attention to their bank accounts and budgets than they have in years. This in turn has affected business decisions. A common question has been “Do I have too many employees based on business activities?” Unfortunately the answer to this question is making headlines due to the large number of people affected.

As your “people-related” expenses make up a significant portion of your costs it is an easy target for cuts. However is reducing your employee headcount the best answer? There may be alternatives. I believe tough times call for increased creativity and open communication.

It may be no surprise that your employees are as concerned about the business as you are. Of course, they most likely want to maintain their employed status as long as possible. How many people have you heard say “I am just glad I have a job?” So before you decide to reduce your staff consider some of the following.

**State of the Business** – Be as open as possible with your employees about how you are doing. This will help ease their fears of losing their job. Explain what you are doing to sustain the business and your plans. This will lead to idea sharing.

**Idea Sharing** – Ask your employees what they think can be done to help cut costs. Share your thoughts on how you can cut expenses. Make it a common practice to ask “Do you think we can (add the idea here)?” Encourage everyone to be creative regardless of how long a practice or process has been in place. Be open to new ideas. An engaged employee group tends to be a happier group.

**Build a Team** – A business with a strong sense of team amongst its staff tends to be more productive and successful. As a team there is more of a vested interest in achieving the desired outcome.

If you feel you have done what you can and still need to make the tough decision to cut staff cost look for creative ways to reduce your expense before doing a lay off.

Ask your staff for ideas.

Are reduced hours an option?

Will schedule changes reduce expenses?

Are there slow periods where you don’t need staff?

Offer a leave of absence?

Do you want to consider pay cuts?

Consider eliminating pay increases, bonuses, and other incentives.

Be creative.

If in the end you determine you must lay off an employee make sure to be prepared before having this conversation. This is usually a hard conversation to have and it is important to be respectful during the process. You may want to rehire this employee at some time in the future. Following these steps will help:

- Take a close look at who you have selected and the reasons for your decision. Consult an attorney as needed.
- Document your review and why you made your choice.
- Always be prepared to defend your actions at the time you communicate your decision, and if necessary, in the future.
- Have this conversation in a private place; do not communicate this in front of others.
- Be prepared for the employee's reaction to your decision. Have Kleenex available and provide what support you can.
- Explain the process to the employee (I recommend using a list prepared in advance).
- Document how the conversation went and any comments made during the process.
- Determine how you will be communicating your decision to other employees.

Human Resource issues are often a challenge but never more so as we need to do more with less and most people fear the loss of their job. With an open communication practice and culture where people are treated in a respectful and fair manner you will make a positive impact. Also, don't forget to have some fun; a little levity goes a long way to reduce stress.

**Special Offer:**

Looking for some additional insight into a current human resource matter? Contact Cecelia Keenan for a free one hour Human Resource consultation at [ckeenan@goldengate.net](mailto:ckeenan@goldengate.net).