

## Cutting Costs Without Layoffs? 14 Tips for Employers Seeking Alternatives to Pink Slips

### Reasons to Seek Cost-Cutting Alternatives to Layoffs

Avoiding layoffs while cutting other business costs makes sense, according to many writers and business leaders, because excessive, poorly thought-out layoffs have the following disadvantages:

- You risk being short-staffed — and facing considerable expenses to hire and train new people — when business picks up.
- Excessive cuts may put productive workers with important skills on the cutting board, leaving costly gaps in the work force — both immediately and long-term after the economy recovers.
- Layoffs lead to a loss of valuable institutional memory.
- You may have already cut back so much that few slackers remain on the payroll.
- Avoiding layoffs builds loyalty among workers.
- Layoffs decrease productivity among surviving workers.
- Avoiding layoffs also means avoiding the potential costs of severance packages, outplacement, redistributing work, and even perhaps lawsuits.

### 14 Alternative Ways to Cut Costs Without Layoffs

Given that layoffs can cost your company both now and in the future, how can your company cut business costs but avoid layoffs? My review of the most current literature lead me to these valuable tips:

#### **1. Freeze hiring.**

How many companies do you know of that are laying off workers but also hiring? While some new hiring may be needed to adjust to changes in the direction of your business, retraining current employees may be a better and less costly alternative.

#### **2. Reduce hours.**

Many of the companies that are avoiding or reducing layoffs are cutting hours, instituting four-day workweeks, and requiring workers to take unpaid holidays. Fewer hours are better than no hours at all, and the sense of shared sacrifice can build morale, rather than shattering that of both the laid-off workers and survivors. Depending on state law, unemployment compensation may even be available to employees working reduced hours.

#### **3. Delay raises or cut salaries.**

It's common sense that lower salaries can lead to fewer layoffs. Fear that employees will leave in droves in response to pay cuts may be overblown, given the limited opportunities under today's economic conditions. It's also common sense that those pay freezes and salary cuts should begin at the top. If you want your people to work with you, it's best to work with them.

#### **4. Eliminate bonuses.**

Would you rather have a bonus at Christmas time, or a job and paycheck the following March? That is not even a question...

#### **5. Redeploy workers to busier business segments.**

Cross-training and redeploying workers will serve your company now (in employee loyalty

and retention of institutional memory and expertise) *and* later, with increased teamwork and flexibility.

**6. Offer early-retirement packages.**

This tried-and-true method maximizes the use of what amount to “voluntary layoffs.” The major disadvantage is a lack of control over who goes and who stays.

**7. Cut temporary and contract staff.**

Temporary agencies and consulting firms include in their bills significant markups on compensation paid to employees you could hire directly yourself for less. Temp workers are also far less likely to be loyal to your company than the people you keep on your own payroll. Indeed, flexibility in shedding them when business slackens is a major reason for the increased use of such workers.

**8. Trim spending on training, travel and marketing.**

Rather than hiring an expensive training consultant, form employee discussion groups so that your workers can meet and discuss the latest developments in your industry, or create in-house training options. Do you really need to fly an employee cross-country for a few hours of face time with that client/vendor/manager/customer, or can they meet by phone, Internet chat, or video conference? Does your marketing and advertising budget bring appropriate returns? Does it need redirection in light of rapid changes in where customer attention is focused (i.e., more on Internet, less on conventional media)?

**9. Review your telecommuting and flex-time policies.**

Providing office space for all your employees is costly and often unnecessary. Besides, if you need to ask them to take a cut in pay, your telecommuting employees will appreciate spending less money on gas, auto expenses, and the purchase and maintenance of business attire — savings that can fully or partially offset the pay cut.

**10. Regularly seek estimates from your suppliers and their competitors.**

Make sure you’re getting the most for your dollar. Your suppliers and their competitors may well be able to actively help you find ways to save money.

**11. Involve employees in regularly adjusting operations to improve efficiency.**

Here’s the result of one such effort, courtesy of the Harvard Business Review’s Editor’s Blog:

[A] telecom company [was burying] its cables at a depth of two meters. When asked why it was necessary to dig so deeply, managers replied that only at that depth would the cable be protected from a thermonuclear explosion. After reflecting on the bomb’s likely impact on customers, the company cut its cable depth to a meter, saving itself \$80 million a year as a result.”

**12. “Borrow” employees from less busy, non-competing firms; “loan” them to busier ones.**

This strategy was used to good result by a few architectural firms cited in this [WallStreetJournal.com](http://WallStreetJournal.com) article.

**13. “Insource” work back in house and give it to less busy employees.**

This is a great idea for employee loyalty and morale, *and* for your company’s PR.

**14. Finally, watch capital expenditures.**

Remember that “that 80% of most companies’ capital budgets are made up of small

items that get rubber stamped in the budget process.” Citing an article he read back in 2000, author David Champion says: “Wielding your hatchet to capex (capital expenditures) rather than the payroll also gets you more bang for your dollar. When Eastman Kodak cut its payroll by \$400 million in the late 1990s, its market cap went up \$2 billion. [The author of the original article] calculated that it would have needed to cut just \$280 million in capex to get the same result.”

### **Save Jobs, Save Money, Preserve Your Company’s Image**

This recession has hit so hard, so fast that it will stay in people’s memories for a very long time. So will the names of CEOs who took pay raises and bonuses while instituting wide scale layoffs.

Following a policy that works with employees, shares the pain, and avoids or reduces layoffs may not just be good business practice during this recession. It could also be a valuable part of your recovery plan.