

Cut Your Costs without Laying Off Employees

Benefits and insurance issues important to you
- brought to you by the insurance specialists at
The Jacobs Company, Inc.



As the economy continues to take a turn for the worse, many employers are finding effective ways to cut costs without having to lay off any employees. While some experts claim that layoffs are a critical part of the business cycle (employers eliminate weak employees), others feel that layoffs only generate more costs for companies. In fact, layoffs may result in added expenses for planning, legal fees, severance packages, redistributing work and reduced productivity from surviving employees. These expenses come on top of the cost to train new workers once the economy takes a better turn.

What's even more beneficial is that your current workers may buy in to some cost-cutting strategies versus the chance that they will lose their jobs altogether. According to *The New York Times*, the chairman of the faculty senate at Brandeis University asked the 300 professors employed by the school to forgo one percent of their salary. In return, no jobs would be lost. As a result, 30 percent of the 300 staffers volunteered for the pay cut, which could potentially save the university more than \$100,000 and save many employees' jobs.

Ways to Cut Costs

If your organization is in jeopardy of having to lay off some of your employees, consider these cost-saving techniques, much like Brandeis University:

- Extend unpaid holiday or vacation time pay for employees.
- Shut your business down for four days at the end of the year.
- Cut employee salaries.
- Offer four-day work weeks.
- Freeze wages and offer other incentives, such as a weekend at a vacation home.
- Cut pensions.
- Cut overtime pay and work hours.
- Reduce employee travel expenses.
- Limit your purchase of new office equipment and supplies.
- Freeze your hiring efforts.
- Raise employee healthcare contributions.
- Reduce employer contributions to retirement plans.
- Revise your budgets for employee training.
- Move employees to positions with a lower pay.

- To make up for the need to hire additional workers, switch employees' duties so they are doing tasks they would not normally do.
- Ask for employees to volunteer to take a furlough (temporary layoff or leave of absence). This will give them the opportunity to travel, spend time with family, pick up a new hobby, etc.
- Evaluate Your Health Insurance Plan
 - Make sure you are utilizing the most cost-effective options that are available to you. Also, since your employees can pick up a portion of your health insurance premium, consider increasing that cost during open enrollment.
 - Communicate benefit changes effectively and clearly to your employees so that they fully understand their new options and costs.
- Offer Voluntary Benefits
 - These benefits (such as life insurance, accident injury coverage, critical illness insurance, dental, vision, disability income, and long-term care) can be offered to your employees at no cost to you through a payroll deduction.
 - Voluntary benefits fill the gaps in coverage for employees and do not add costs to your budget, as they are solely funded by employees who elect to pay for them.
- Evaluate Your Pension Offerings
 - Most employers offer a 401(k) plan for their employees with a company match. To assure that employees are taking full advantage of that match, analyze your current plan to make certain that the vesting schedule promotes participation.
 - Increase employee education efforts to increase contribution into these accounts.
 - Ask your pension investment plan representative to conduct a seminar educating on the benefits of saving for the future with pre-tax dollars.
 - Consider an automatic enrollment plan for new hires and those who are not currently enrolled in your retirement plan (Employers must allow a 30-day opt-out option for automatic enrollees, as mandated by law).
- Add a Roth 401(k) or Roth 403(b) Retirement Option
 - There is no income limit related to employee participation with these retirement plans. Employees must use post-tax dollars, but withdrawals at retirement are tax-free.
- Increase Wellness Program Participation to Reduce Healthcare Costs
 - Encourage employees to partake in health risk assessments, preventive care and disease management programs to encourage healthy lifestyles.
 - Healthier employees will be more productive and will have less healthcare claims, which means less costs for the company.

Though some of these solutions may seem rash, a pay cut is much better than a job cut, and no bonus is still better than not having a job in three months. After an initial pushback, your employees will value the fact that you are trying to preserve their jobs. It's best to determine what will work for your organization and implement those changes. If they are successful,

continue to implement them until your organization gets back on its feet. If they are not working, try something else until you find what helps your company thrive in this rough economy.

Ways to Boost Employee Finances

- Offer Personal Financial Education
 - Through your company intranet or employee newsletter, encourage employees to create a monthly budget and cash flow document. Then, suggest that they calculate their personal financial net worth and determine how much they need to budget each month for expenses.
 - Employees may discover ways to cut costs or savings when taking a more evaluative look at their monthly spending. They may also discover that they have more money to invest in the company 401(k) plan.

- Encourage Employees to be Savvy Consumers
 - When making large purchases (for housing and transportation), one bad decision can lead to incredible financial strain and debt. Offer financial education at your worksite presented by industry professionals in the real estate and transportation industries. Most will come to present to your employees at no cost.
 - Contact mortgage brokers, realtors, bankers, auto dealers and credit counselors to offer information to your employees. Just make sure their presentations are purely informational and are not sales-driven.

- Encourage Employees to Offer Financial Suggestions for Others
 - Consider creating an intranet blog or posting areas for employees to offer savings tips to their fellow coworkers. When employees learn how others have been successful, they may be motivated to take action themselves.

- Provide Personal Financial Information
 - To ensure that your employees understand the important issues related to diversification, asset allocation, market timing, compound interest, systematic saving and investing, offer educational materials provided by a local mutual fund company.

This article is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

Content © 2009 The Jacobs Company. All rights reserved.