

# HR Insights

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## Cut Your Costs without Laying Off Employees

As many organizations continue to struggle in this tough economy, 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, giving employers the opportunity to 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—plus the cost to train new workers when the economy turns around.

### Ways to Cut Costs

In lieu of layoffs, consider these cost-saving techniques:

- Extend unpaid holiday or vacation time for employees
- Shut down your business for a few 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, overtime pay and work hours
- Reduce employee travel expenses
- Limit your purchase of new office equipment and supplies
- Freeze your hiring efforts
- Raise employee health care 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, cross-train employees so they are able to take on additional duties.
- Offer a voluntary furlough for some employees (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.
- Offer voluntary benefits
  - These benefits (such as life insurance, dental, vision, disability income and long-term care) can be offered to your employees at no cost to you.
- Evaluate your retirement offerings
  - Most employers offer a 401(k) plan for their employees with a company match. Analyze your current plan to make certain that the vesting schedule promotes participation.
  - Increase employee education efforts to promote contribution into these accounts.
  - Ask your pension investment plan representative to conduct a seminar educating on the benefits of saving for the future with pretax 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 for employee participation in these retirement plans. Employees must use post-tax dollars, but withdrawals at retirement are tax-free.
- Increase wellness program participation to reduce health care costs
  - Healthier employees will be more productive and will have fewer health care claims, which means lower costs for the company.

Though some of these solutions may seem rash, a pay cut is much better than a job cut, and eliminating bonuses now is better than eliminating jobs in a few 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.

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## Ways to Boost Employee Finances

The following are ways you can improve 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 work site presented by industry professionals in the real estate and transportation industries. Most will come 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 area for employees to offer savings tips to their fellow co-workers. 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 and systematic saving and investing, offer educational materials provided by a local mutual fund company.
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