

# Tips for Managing and Reducing Staff in a Down Economy

Regardless of your best efforts, your organization may be forced to reduce costs in order to survive. This can take the form of reduction of programs, which may necessitate the reduction in staff. In many organizations, payroll is a significant portion of the overall budget, and presents a large target as a means to reduce costs. Here are a few tips to help you evaluate staffing options and, if necessary, properly reduce staff. Note that some of these options have legal consequences; check with your attorney to be sure you don't violate labor laws.

## 1. Compare staffing needs to program requirements.

If you are reducing programs as a response to economic or mission-alignment factors, consider whether you can re-assign existing staff to other functions. Reduction in programs does not necessarily mean reduction in staff.

**2. Consider alternatives to staff reduction.** A strong plan for managing your nonprofit through a crisis can contribute to your ability to strategically manage staff. If you can plan ahead for 1-3 years, with a forecast of eventually resuming the full level of previous operations, you might consider other financial options to avoid staff reduction:

a. Shortened workweek. Changing from a 5-day to a 4-day work week may permit as much as a 20% reduction in payroll. Yes, your employees will feel a financial crunch, but will have the opportunity to pick up short-term part-time employment to help replace the lost income.

b. "Office hours" adjustments. You can also consider annual or quarterly week-long shut-downs to conserve payroll at a less radical rate, with less effect on your staff's take-home pay.

c. Job Sharing. If you must reduce overall staffing, you can offer job sharing as a way to maintain some programs at a lower level with reduced staffing.

d. Pay reduction. A small percentage pay reduction to all staff may be enough to allow you to retain full employment and still make budget. Be sure that you apply this across the board, and that there are no

contract or other legal issues which would prevent this action.

e. Benefits Reduction. Accrued benefits are a "contingent liability" to the organization. Is it time to rethink and reduce the amount of accrued sick, vacation, or personal leave?

## 3. Act judiciously in selecting staff for termination.

This is not merely an opportunity to fire the annoying or nonproductive staff member, unless you have already laid the groundwork for termination - poor performance reports, discipline entries in the employee file, etc. Be sure that your termination is based upon the position requirements (reduction in programs, elimination of position), seniority (last hired-first fired) or other generic (and legally defensible) reasons. If you fire an already-disgruntled employee, he or she will look for a reason to retaliate, which can cost you more than you will save, and can severely damage company image and morale.

## 4. If you must reduce staff, act with respect and compassion to your employees.

a. Plan as far ahead as possible. Your employees need the lead time to start looking for replacement employment.

b. Help staff with transition. Make sure that exiting staff are provided with all disclosures and paperwork (COBRA insurance, exit interview, check out-check in equipment issued).

c. Provide assistance whenever possible. Help existing staff find resources for job placement, provide recommendations in advance.

d. Express appreciation for previous service, and well wishes for future success.

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