

Exploring Alternatives to Temporary Layoffs



A recent discussion with a small business owner had discussed the option of temporary layoffs. Saying that he needed a 'break' from employee wages during a slow time he thought temporary layoffs would be an option over downsizing. However, he was very worried about the impact the layoffs would have on his relationship with his employees.

Temporary layoffs may be an economically viable way to manage workplace slowdowns. Some organizations, with the honest intention of bringing employees back to work will use temporary layoffs as a way to save money while signalling to employees an intention to bring them back to work. Human capital is usually your biggest expense but also your most valuable resource as such anything that impacts your relationship with your employees should be carefully considered.

The Downside of Temporary Layoffs

In a recent HR Insider article, Temporary Layoffs, we explored the realities of ensuring your temporary layoffs are legally sound. Even when properly managed a layoff will have an impact on both the organization and employees. Understanding the impact can with both decision-making and management.

The psychological effect layoffs have impacts both those who go and those who stay. Feelings of loss, loss of trust, fear of being next are common reactions and they can have a tangible negative impact in the workplace. The negative impact can result in:

- 1) Decrease in performance of those who stay
- 2) Lower workplace morale and possible damage to the relationship between employees and management
- 3) Loss of worker engagement including when laid off employees return
- 4) Increase in workplace errors because of the psychological impact of layoffs and changes in staffing
- 5) More absences in the workplace for physical and mental health reasons
- 6) Loss of valued and even key employees including both those who were not laid

off and those who remained

7) Harm to the companies reputation in the industry, with customers and the public

8) More difficulty with current and future recruitment

Temporary layoffs of some employees can contribute to an 'us' v. 'them' atmosphere in the workplace which is usually not an effective productivity strategy. There may be times when a temporary layoff is the best option an organization can identify but at other times there may be alternatives

Building Team By Pulling Together Not Pulling Apart

It is not uncommon during difficult times for individuals to close down and focus on their own needs. However, it is also possible for individuals to come together to manage challenges and emerge stronger as a result. Instead of considering layoffs it may be possible to explore alternatives that can be shared by all members of the organization, and that means everyone including management.

Alternatives to Layoffs: Share the financial pain.

If the idea is to build your organization in response to challenges you cannot impose alternative ideas. The situation and possible responses should be discussed with employees and a consensus built. Some options to consider could include:

Across the board temporary wage cuts: As much as possible calculate the savings your layoffs will return and determine by what percentage everyone could take a temporary pay cut to achieve the cost savings during the short time period. A 15% pay cut for 3 months across the entire organization may help avoid layoffs. The agreement should include a return to full pay at the end of the 3 months and continuation of benefits, pension and other items at the full rate of pay.

Across the board reduced hours. Of course this would result in less pay but in return the employees gain time off. You may find this is an attractive option for employees who want to work fewer hours or have child/elder care needs and may prefer a shorter workweek. The disadvantage of this option over pay cuts is that it can be more difficult to plan and manage.

In the end some employees may not be willing to share their pain and instead take their chances with the lay offs. When you ask you may not always obtain the response you prefer so only ask if you have thought through all the angles and are willing to make it work.

Whenever your organization experiences hardships your willingness to work with your employees, to consult them and consider a shared option may have the impact of pulling people together to solve a collective problem. When people pull together this can bring a renewed sense of community, which can positively impact performance, morale, and engagement all of which may just end up improving your bottom line in more ways than one.