Flex Bulletin #8 – Cutting Costs, Keeping Talent November 19, 2008

Rupert & COMPANY
Guides to a changing workplace

Most organizations think of flexibility as a slender menu of flexible schedules: flextime, part-time, job sharing, compressed workweeks, telecommuting and remote work. Some companies use these in problem-solving toolkits such as the "family-friendly" combo of part-time/job sharing/flextime or the "commuter-friendly" combo of telecommuting/compressed/remote work.

Today's deepening recession and spiraling layoffs argue for different tools. Should talent painfully gathered and nurtured be jettisoned wholesale this winter, only to be replaced at great expense next fall? Maybe this is the crisis in which we should consider the lesser-known flexible options - a toolkit offering creative ways to maintain a valued workforce while reducing labor costs.

Used individually or in combination, four high-impact "talent-friendly" options are:

Work Sharing
V-time (Voluntary Reduced Work Time)
Phased & Partial Retirement
Expanded Leaves of Absence

Here is how companies have used these to cut costs, not talent.

Work Sharing programs achieve the goal of a percentage reduction in labor costs by reducing the length of all employees' workweek rather than by shrinking the workforce. In some states this approach can be supplemented by short-time compensation programs, in which partial unemployment benefits are used to offset some of the lost salary.

Work sharing might prove most effective when cuts are seen as temporary rather than enduring, when a highly talented workforce may not be replicated easily and when the volume of reductions is "modest." As an example, a layoff of 500 people in a company of 10,000 people would translate to a work sharing reduction of 5% to a 95% schedule for the whole workforce. Larger percentage reductions might trigger the use of partial unemployment.

V-time (Voluntary Reduced Work Time) programs create a time-limited opportunity for significant numbers of full-time employees to reduce to part-time schedules. Typically used for periods of six to twelve months, these programs may include reductions ranging from 5 to 50% and carry prorated or full benefits. Building on a voluntary approach and appealing to a wide base of employees, an aggressive program can achieve significant cost reduction and exceptional employee satisfaction.

Phased & Partial Retirement is an oft-mentioned and seldom used way of reducing the hours without sacrificing the presence of valued older workers. Unfortunately, the decades-long habit of downsizing with older workers first has made phased and partial retirement a hard sell in most companies. A unique opportunity exists today to include this option in a talent-preserving mix. With a growing number of older workers looking to extend employment and companies needing to cut costs, phased (regular annual reduction such as 80%>60%>40%) and partial (50% reduction) can make a useful contribution to cutting costs and keeping the best contribution of highly skilled employees.

Expanded Leaves of Absence represent a significant satisfier for a subset of employees and can be a major contribution to cost reduction goals. Many companies have leave programs in place that can be adapted as an alternative to layoffs. Like the programs above, expanded leaves can be offered on a 6-month or 12-month basis and can include benefits and provisions for a return to work. Users of such a full sabbatical program can number easily in the hundreds.

Every company faces its own unique pressures and demographics. Drawing on the elements above, you can design your own compelling path to success. If you would like to discuss any of these tools or a strategy for implementing them, please give us a call.

And if you'd like to receive the back issues of the Flex Bulletin, please let me know.

Best regards,
Paul Rupert
President
Rupert & Company
Chevy Chase, MD
301-873-8489

paul@rupert-co.com