To lay off or not to lay off

What options do companies have during tough times?

To retain or to retrench – that is the question many companies ask themselves as they consider their cost-cutting options during difficult times. Many are often entangled in dilemmic situations where maintaining staff strength poses as a heavy financial burden while retrenching staff can seriously erode staff morale. And whichever decision is made, detrimental outcomes to the bottom line can be expected.

However, there are several alternatives companies can consider before putting employees on the chopping block – a drastic cost-saving measure that ought to be a very last resort.

Train to retain

During hard times, companies are under pressure to curb costs and stretch every dollar. However, they tend to concentrate primarily on the business at hand and put human capital issues on the back burner.

Human capital is a precious resource. In good times or bad, investing in employee training and development is a critical factor in attracting and retaining a superior labour force. A well-organised training programme can help companies identify skills gap. With enhanced skills and knowledge, employees are able to carry out existing tasks more efficiently. Additionally, staff training and development can be entwined with succession plans that prepare top talent to take on a different or new role in the organisation.

Therefore, companies should take advantage of slow growth periods to upgrade the skills of their staff. Employee training and development also double up as a retention tool; it conveys to staff that employers value them.

Taking measures to retain valued employees ultimately save costs, preserves profit margins and lead to better business opportunities. It will also keep the workforce nimble and ready when market conditions improve.

Be flexible

Adopting flexible working arrangements can help defray operating costs and does not do permanent damage to employer branding. Retrenchment on the other hand, can be harmful to the company instead.

To solve manpower issues without incurring too much cost, companies can consider enforcing a shorter work week or implementing forced leave. With work compacted into four days or less, companies are less burdened by paying out full wages while maintaining full staff strength. A shorter work-week would also encourage companies to manage by results rather than 'face-time' of their employees.

Such working arrangement promotes a pro-family and work-life harmony culture which enhances employer branding. Busy executives thus profit as it gives them the opportunity to manage their work and personal life better.

The immediate returns of implementing such HR practices include lowered operating costs, while staff loyalty, improved productivity, increased retention and enhanced bottom line are considered long-term benefits.

Small steps, big savings

There are other alternatives companies can explore where cost cutting is concerned. This includes implementing temporary salary cuts and scaling back bonuses. Companies can also make adjustments to the monthly variable component (MVC) in employees' salaries or even freeze wage increments until

the economy recovers. Reflecting on the current global financial crisis, many people would more than welcome pay cuts than retrenchment.

Going green is an effective way of containing costs as well. Being responsible and prudent about electricity consumption and paper wastage may result in marginal savings. However, these measures are no less crucial to companies' overall cost-containment plans.

Ultimately, employers should consider other avenues of slashing costs rather than giving staff the axe. Tightening the corporate belt is a better alternative to cutting headcount. It imbues in staff a deeper sense of loyalty and enhances employer branding – when good times come around again, companies will find an easier time to retain and attract quality talent.