

Layoffs: An Option of Last Resort

By Beth Melnik

With the economy tightening on a daily basis and few words of encouragement for the immediate future, many employers are enacting layoffs as a means of reducing costs and sharpening their focus. Layoffs are a particularly difficult option for the small business owner because oftentimes employees are wearing multiple hats; thus, the remaining employees will need to wear even more hats. Additionally, the employees within a small business tend to blend together like members of a family. Everyone knows one another's strengths and weaknesses, their favorite restaurant, and maybe even their children's batting averages or grade point averages. So, to let someone go can feel like banishment from the family.

Most small business owners try to avoid layoffs because they know how difficult it is to do more with less. That's where they've been — they don't want to go back. Also, many small business owners take on a paternal sort of role with their employees and want to do right by them. Therefore, before considering layoffs, employers should evaluate these belt-tightening alternatives:

- Freeze hiring and use attrition
- Reduce or eliminate overtime
- Pare contingent workers
- Redeploy or transfer employees

- Encourage employees to take unpaid vacation or unpaid voluntary leaves of absence
- Encourage voluntary terminations (buyouts)
- Encourage early retirement
- Use job-sharing arrangements (within the firm or between two firms)
- Freeze or reduce pay and/or benefits
- Call in contracted work
- Retrain employees for new jobs or responsibilities¹

Other options include providing client incentives to pay their accounts in cash and on time, cutting back on business travel, and keeping an updated blog on your website to boost your search engine rankings in order to decrease other marketing expenditures.² Another tactic growing in popularity is the use of part-time employees, as opposed to full-time, benefit eligible employees. Business owners should also solicit suggestions from their employees on how to cut costs or increase revenues in hopes of avoiding layoffs. By maintaining an open dialogue with employees about business conditions, rumors and unnecessary stress can be minimized.

To compare the implications of each possible strategy, the business owner must first define the ultimate objec-

tive. Is this a short-term cost cutting measure or is it a long-term restructuring? Each possible strategy will have immediate effects and residual consequences. Costs may decline in one category, but will costs increase elsewhere? And if so, by how much? The business owner, along with an accountant or business consultant, should consider how each action will likely play out and then make a final determination based on the full impact of the various strategies.

If after serious contemplation layoffs appear to be necessary, then the small business owner must take action to ensure that all employees are treated fairly and respectfully. After all, the last thing a business owner needs at this critical juncture is a wrongful termination lawsuit.

The *Special Report: Layoffs, Reductions in Force and Downsizing* from www.lawsuitfree.com advises business owners to

- “prepare a layoff policy. Include the importance of the objective factors such as company needs, financials, workers' seniority, quality of past work performance, anticipated needs for skills and experience, and compliance with EEO laws.

Create a 'ranking' process using these factors, and follow it consistently through a form-based approach.”

The report goes on to recommend that the business's attorney analyze

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the proposed layoff procedures prior to implementation. Once the process has begun, additional steps should be taken to make this difficult transition manageable. The *Special Report* referenced above provides these directives:

- Prepare an information sheet to hand out to all employees explaining the layoff or downsizing process. Consider a question and answer session
- Provide departing employees with required handouts and pamphlets related to continued medical benefits and unemployment rights

- Assist those who will be leaving through severance packages, outplacement opportunities, consulting agreements, counseling services, employment assistance programs, etc.
- Avoid claims and litigation by departing employees through separation agreements and a strict adherence to company guidelines
- Use a grievance system, ombudsman or hotline program to handle complaints of unfairness
- Offer counseling services for those who stay

The personnel changes will undoubtedly necessitate changes in work flow, individual responsibilities and possibly organizational priorities. The business owner needs to make certain that every employee understands these changes and is able to support them. Again, keeping open lines of communication with employees as well as with clients, suppliers, stakeholders, and resource partner organizations will help the business navigate this economic evolution.

¹ Allan, Peter. "Minimizing employee layoffs while downsizing: employer practices that work," *International Journal of Manpower*. Vol 18, No. 7. 1997. pp 576–596.

² Dahl, Darren. "Five Ways to Save Money (Layoffs Not Included)," *Inc. Magazine*. October 2008.

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