



Alternatives for Reducing Labor Expenses

“They are not employees—they’re people.” Peter Drucker

Step #1: Be honest with your employees and get them involved in finding solutions.

Step #2: Think incrementally. Ask yourself: How bad is it on our business? Will this last less than 4 months or longer? If you anticipate less than 4 months, then consider taking steps that keep your staff intact.

Step #3: Consider the impacts on the business, including employee morale, productivity and quality.

Step #4: Consider the options.

- Control over-time
- Compress the work week (**Note:** when reducing nonexempt employee hours keep in mind the impact on benefit plans if hours fall below the benefit plans full-time status)
- Institute a pay freeze
- Mandate vacation
- Reduce your payroll liabilities by adjusting vacation accruals, capping accruals or changing your PTO plan – otherwise you may be liable for a big pay-out at termination
- Reduce or stop contributions to retirement plans
- Institute salary reductions
- Encourage voluntary sabbaticals
- Lend employees to outside business/vendors or to a local nonprofit
- Shut down temporarily

Step #5: Don’t overcorrect—it can lead to decisions you may never recover from.

Resources

- If you are a current Employers Resource client please contact your local branch—we stand ready to assist.
- American Payroll Association Idaho Link: <http://www.americanpayroll.org/weblink/statelocal/s/id>
- Idaho Labor Department: <http://cl.idaho.gov/>
- Idaho Tax Commission: <http://tax.idaho.gov/index.html>
- Idaho Unemployment Insurance: <http://cl.idaho.gov/dnn/idcl/UnemploymentInsurance/UITaxes/tabid/764/Default.aspx>
- Idaho Workers’ Compensation: <http://www.iic.idaho.gov/>