



REDUCING PAYROLL EXPENSES ALTERNATIVES

BEST PRACTICES FORUM
JULY 28, 2011

Dave Landsberg
Community Health Center, Inc.

Short Term Actions

If the business issues are relatively short-term more temporary measures may be appropriate.

Alternatives

- Eliminate regular salary increases
- Reduce work schedules
- Freeze most hiring

Short Term Actions - Eliminate Regular Salary Increases

Why eliminate regular salary increases

- Salary Increases granted while employees are being asked to tighten their belts send the wrong signal and make employees wonder if management is prepared to be decisive
- Employers will get no credit for raises given during periods of economic distress

Why not to eliminate regular salary increases

- In order to insure a quality workforce, salaries must remain competitive
- A disproportionate amount of high quality employees will elect to leave, especially if salaries are frozen for an extended period of time

Short Term Actions - Reduce Work Schedules

Why reduce work schedules

- Give employees extra time off reducing pay and/or vacation/PTO liability
- Allow employees to have extended weekends, holidays

Why not to reduce work schedules

- After an extended period of time might generate hardship
- Scheduling can become onerous

Short Term Actions - Freeze Most Hiring

Why freeze hiring

- Reduce payroll by taking advantage of voluntary turnover
- More difficult to hire quality employees when the organization is suffering

Why not freeze hiring

- Need to continue to provide services
- Periods of economic distress can result in deeper recruitment pools if the organization can make a positive case for the long-term

Longer Term Actions

If the reality of the change in the business environment makes it appear that there has been a structural shift – the organization needs to make a similar shift in its workforce composition.

Alternatives

- Solicit Volunteers
- Conduct a Special Early Retirement Program
- Outsource
- Identify tasks and functions that are least productive and/or the least strategic
- Traditional Reduction in Force

Longer Term Actions - Solicit Volunteers

Why reduce the workforce through volunteers?

- Some employees might find it convenient to leave – thinking of moving, going back to school, changing career, etc.
- Gets around tight seniority requirements
- Saves positions for employees who don't want to leave

Why not reduce the workforce through volunteers?

- Not strategic
- Not balanced – might lose too many employees from the wrong departments

Longer Term Actions - Conduct A Special Early Retirement Program

Why conduct an early retirement program

- Allows longer term employees the opportunity to leave earlier than they might otherwise consider
- Likely will protect newer employees with more contemporary skills
- Opens opportunities for other employees

Why not to conduct an early retirement program

- Not strategic
- To be effective, an early retirement program must be accompanied with significant communications and education

Longer Term Actions – Conduct A Special Early Retirement Program

Effective special early retirement programs

- Provide a significant amount of information regarding, for example Retirement, Medical, Social Security, Medicare and Life Style issues.
- Gives eligible participants sufficient time to make a difficult decision.
- As a minimum allows continued access to group health insurance for pre-Medicare eligible participants.

Longer Term Actions - Outsource

Opportunities for outsourcing

- Facilities, Custodial, Dining, IT, Benefits Administration, Recruitment, Accounting, Billing

Why outsource

- Health Center core competencies arguably are efficient patient care and provider productivity. Other necessary tasks can frequently be performed more efficiently by organizations that specialize in those tasks.
- Flexibility

Why not to outsource

- Possible loss of control.

Longer Term Actions - Identify Tasks & Functions That Are The Least Productive/Strategic

- Any organization can identify a hierarchy of core tasks. Those that aren't core should be re-considered.
- Reductions of whole functions minimize or eliminated the impact of staff reductions on core functions
- Eliminating less productive functions leads to a leaner more streamlined organization going forward.



Longer Term Actions - Classic Reduction In Force

Lisa Savage's Presentation.

Classic Pitfalls To Be Avoided

Typical responses to financial issues that should be resisted

- Organization's frequently attempt to eliminate non-payroll expenses, for example training, education and travel, sometimes in the extreme. But in order to succeed the organization needs to have highly motivated, well-trained workforce.
- Reductions strictly by seniority. Frequently newer employees bring with them highly necessary skills and education which are critical for the organization's long term success.