



careerminds

A how-to guide for sharing that news
with employees

When a Company's Costs Need to Be Cut

Table of Contents

| | |
|--|-----------|
| Section One: Keeping the Pitfalls of a Hiring Freeze to a Minimum | 05 |
| Hiring Freeze Announcement | |
| Exception Form | |
| Letter to Job Applicants Impacted by the Freeze | |
| Section Two: Best Practices for Communicating Changes in Benefits | 09 |
| No Salary Increase | |
| No Overtime | |
| No Bonus | |
| Salary Reduction | |
| Reduced Work Hours | |

Downturns Happen, Even to the Most Successful Companies.

Whether due to factors in the larger economy, such as a recession, or internal ones, like an overdue product launch or an unexpected drop in sales, a decrease in revenue usually makes it necessary for a company to implement cost-cutting measures.

Companies effective in change management and communications are three and a half times more likely to significantly outperform their industry peers that are not as effective in these areas. - Towers Watson's 2013 - 2014 Change and Communication ROI Study

Whether it's an acquisition (the process where one business entity buys or takes over another) or a merger (when two separate companies voluntarily and equally – for the most part – join to become one new company), news of such a change typically causes a wave of uncertainty and stress within the company being sold or the two joining forces.

Strategies for reducing expenses can vary widely. These two are among the most common:

HIRING FREEZE -

A temporary halt in hiring activity. This is usually the first step a company takes in a financial downturn.

CHANGES IN BENEFITS -

A stopgap measure requiring reductions in salaries, overtime, and work hours, sometimes in conjunction with a policy of temporarily forgoing salary increases or bonuses.

None of these options are easy, especially since such cutbacks impact the lives of real people with bills to pay and families to raise. And even though in the two strategies outlined above, current employees still have their jobs, they're likely to worry that if the company's bottom line doesn't improve, it might be just a matter of time before they're unemployed. The possibility of future layoffs – targeted or large-scale – looms.



That's why clear communication about a company's decision to reduce costs is essential, not only for the sake of transparency, but also for maintaining morale and productivity. And while the pain that comes with corporate belt-tightening can't be entirely avoided, it can be mitigated. This ebook provides examples that illustrate how.

Clear Communication Makes a Difference

In a successful work environment, trust plays a key role, and it's created when workers feel appreciated, understood, and respected. Communication that's honest and forthright is part of that. So, if and when the time comes to reduce resources, it's important that employees understand why that step is necessary, what it means for the company and, more importantly, what it means for *them*.

Cutbacks are stressful enough, without an HR department having to suddenly scramble to craft accurate and appropriate ways to convey the changes that are about to happen. Putting those decisions in writing helps ensure that the news is easily relayed and accessible. Getting the right information out quickly also helps quell office rumors and the fear and uncertainty they cause.

Templates You Can Use

In this book you'll find sample messages – letters and forms – your HR department can customize to communicate the specifics of a hiring freeze at your company or the impending changes in employee benefits. All are offered here as guides, not as legal documents. It's a good idea – and highly recommended – to have your legal counsel review the final versions in relation to your company's unique set of circumstances and all local, state, and federal laws.

section one

Keeping the Pitfalls of a Hiring Freeze to a Minimum

A hiring freeze is a mild form of downsizing and a less dramatic alternative to employee layoffs. But it can have a negative effect on current employees, who will likely be required to take on more work or responsibility as a result. That's why it's important to announce a hiring freeze with some context.

Most employees will be willing to step up if they understand the reasons for the freeze, know there is an endpoint, and feel secure in the knowledge that the company values them and their work. This section features three communications related to this cost-cutting measure:

- Letter to employees announcing the hiring freeze
- An exception form from HR
- Letter to job applicants impacted by the freeze



Hiring Freeze Announcement



[Date]

Dear [Company Name] Employee:

As we have discussed in our corporate communications, the economy has created ongoing challenges for the financial health of our organization. Because of this, our executive team has reviewed our business processes to find different ways to decrease our expenses and increase our revenues.

This review has led our team to come to a difficult decision: We will be implementing a hiring freeze starting immediately. This was not an easy decision, but we feel that it is in the best long-term interest of our organization. We considered several alternatives but found this to have the least impact to our employees and the overall well-being of our organization. We expect the hiring freeze to last {X} of months.

Positions that are deemed essential for our business performance need to be first approved by an executive manager in order to be hired on during this freeze.

We will continue to monitor the well-being of our overall organization and our financial well-being throughout the hiring freeze and communicate to our employees with transparency about said results.

We appreciate all of your hard work for our organization. If you have any questions about this matter please reach out to your manager or to human resources.

Sincerely,

[CEO Signature]

Exception Form

Even during a hiring freeze, management might deem certain skills and talent – especially in revenue-generating areas – essential to the success of the business and allow for exceptions. This approach, however, can also open the door to infighting among department heads and managers. The Exception Form here asks questions intended to identify those cases where an exception to the hiring freeze is both strategic and justified.



Hiring Manager:

Approver:

Date:

Requested Position for Exception:

Pay Range/Salary Band:

Hiring Manager Information Gathering

1. Where are you at in the hiring process?
2. What job function will this position service?
3. What is the needed timeline for this hire?
4. What are the consequences if the position is not filled?
5. Why can't the responsibilities be performed by another staff member?
6. From where will the funds for these positions come?

Letter to Job Applicants Impacted by the Freeze



[Date]

Dear [Applicant]:

Thank you for your interest in the position of [title of position] at [organization name]. We certainly appreciate the time you spent during the application process. [Organization name] has instituted a hiring freeze, effective [insert date]. Due to this hiring freeze, we are unable to proceed with your candidacy at this time. We are still very interested in your skills and would like to stay in contact, should you choose to do so, to provide information about this position per the end of the hiring freeze.

Thank you for your interest in [organization name], and for your understanding. We hope that you will still maintain interest in this role! We promise to be as transparent as possible with you throughout this period.

Sincerely,

[Signature]

section two

Best Practices for Communicating Changes in Benefits

Notification regarding changes in employee benefits and compensation is best delivered from the top. An effective messaging strategy starts with the CEO or senior VP, but it doesn't end there. When employees learn of impending changes, they're likely to turn to their managers or department heads with questions. It's crucial, then, to keep those upper-level individuals in the loop and well-informed in advance of those changes.

That way employees will be able to satisfactorily answer questions like, "Why now?" and "Why us?" Two-way communication is essential for employees to remain positive and productive in the midst of change.

This section features five letters covering how to tell employees they won't be getting a raise, a bonus, or opportunities for overtime pay. Also, how to break the news that their pay and/or their work hours are soon to be reduced.

Difficult topics like these call for clarity and conciseness. Each of the following letters provides examples of both.
companies to accomplish the hoped-for synergies that motivated the merger or acquisition.



No Salary Increase



Dear [Company Name] employee:

As you know, our current economic climate has imposed challenges for us. We need to be financially responsible and proactive to ensure the long-term success of our organization. Because of this, our executive team has been reviewing our business goals and objectives to find ways to improve our bottom line.

As a result of this review, we have come to a hard but necessary decision. We will not be giving out any salary increases during our annual reviews this year. This was a difficult decision, and we understand the impact this will have on you.

Our executive team assessed all alternatives, and we feel that this is the best option, and that it will provide the least amount of impact to our employees.

Our executive team will continue to measure our financial performance and evaluate our ability to increase salaries bimonthly through the end of the year.

We appreciate your hard work and dedication to our organization. If you have any questions, please contact your HR representative.

Sincerely,

[Name]



Subject: No Overtime Allowed Policy

Dear [insert name of employee, or company name],

For the last several months, [Organization Name] has experienced financial difficulties due to economic changes within our industry. In the past year we have taken action to adapt to this new market with new products and processes. Unfortunately, this action has not resulted in increased profitability.

In the past month we faced the hard decision of either reducing our staff headcount or exploring other areas of cost reduction so that our employees do not lose their jobs. After careful consideration, we have decided that the best course of action for our organization is to no longer allow overtime for employees.

Please refrain from working overtime and get approval from your managers in advance of working beyond your allotted hours.

We are hopeful that the next [insert time frame] will be more prosperous, and we will be able to reinstate previous overtime practices.

Sincerely,

[CEO Signature]



Subject: Bonus Cancellation for [insert year]

Dear [insert name of employee, or company name],

For the last several months, [Organization Name] has experienced financial difficulties due to economic changes within our industry. In the past year we have taken action to adapt to this new market with new products and processes. Unfortunately, this action has not resulted in increased profitability.

In the past month we faced the hard decision of either reducing our staff headcount or exploring other areas of cost reduction so that our employees do not lose their jobs. After careful consideration, we have decided that the best course of action for our organization is to eliminate our annual bonuses for each of our employees.

We are hopeful that next year will be prosperous, and we will be able to reinstate our bonus policy to show our thanks for your hard work and commitment.

Sincerely,

[CEO Signature]



Subject: Salary Reduction Notification

Dear [insert name of employee, or company name],

For the last several months, [Organization Name] has experienced financial difficulties due to economic changes within our industry. In the past year we have taken action to adapt to this new market with new products and processes. Unfortunately, this action has not resulted in increased profitability.

In the past month we faced the hard decision of either reducing our staff headcount or exploring other areas of cost reduction so that our employees do not lose their jobs. After careful consideration, we have decided that the best course of action for our organization is to reduce pay for our employees. Effective immediately, all exempt employees will receive a 5% cut to their annual salary and all nonexempt employees will receive a 5% cut to their hourly wage. We know that will have an impact on you and your family, and because of that it was a very difficult decision. However, we feel that this choice will have the least impact overall on all our employees.

We will continue to review our financial state on a quarterly basis and will communicate to you regularly about any changes to pay that will result from this.

We appreciate your continued hard work, dedication, and loyalty to our organization as we continue to strive toward long-term business success. If you have any questions, please reach out to your human resources representative.

Sincerely,

[CEO Signature]

Reduced Work Hours



[Name] [Address]

Dear [Mr./Ms. Last Name]:

I regret to inform you that, due to [reason: e.g., lack of funds, lack of work, reorganization] in the [agency/department name], it is necessary to implement a reduction-in-force in the form of reduced work hours. Regrettably, your work schedule as a [classification] will be reduced from [%] full-time equivalency to [%] effective [date] [NOTE: reduction to less than 50% may impact employees' eligibility for certain benefits].

Your work schedule will now be [Shift times and days per week]. As a result, your accrual of sick leave will be reduced from [hours] per month to [hours] per month, your accrual of annual leave will be reduced from [hours] per month to [hours] per month, and your annual salary of \$[salary] will be reduced to \$[salary]. Your accrual of service tenure will also be adjusted accordingly.

{Insert any copies of legal regulations in your state}

If you have any questions about your reduced hours, please feel free to reach out to your human resources representative [insert name] at [insert telephone number or email] to set up a time to discuss.

Regards,

[CEO Signature]

When a Layoff Can't Be Avoided, Here's the Guide to Doing It Right.

Sometimes a layoff becomes necessary, despite earlier cost-cutting strategies. For tools, tips, and templates to help meet the HR challenges a reduction in force brings, download *The Essential Guide to Handling a Layoff* - compliments of CareerMinds.

Get your copy today.



DOWNLOAD GUIDE



www.careerminds.com
888.660.0956

careerMinds