

Flexibility can offer alternatives to downsizing

By: Jennifer Swanberg
Work/life Columnist

Hardly a day goes by without reading about plant closures, company downsizing, or small businesses folding. Layoffs are hitting record-setting proportions. Yet some companies are containing labor costs not by slashing their workforce, but by working flexibly. Yes, that's right. Innovative employers are instituting flexible work options as an alternative to, or in hope of avoiding, layoffs. Reduced work schedules, 4- to 10-hour days, telecommuting, job-sharing or unpaid vacations are solutions that have minimized job cuts at places such as Dell, FedEx and The Courier Journal. Dell has requested that employees take one week of leave without pay. FedEx has cut salaries of senior executives and salaried-exempt employees by 5 to 20 percent. This delivery giant estimates a \$600 million savings through salary reductions.

Cali Yost, author of *Work+Life Fit* and *Fast Company* blogger, contends that "using strategic work+life flexibility can help organizations avoid at least some layoffs. Reduced schedules, sabbaticals, telecommuting and flexible scheduling are not just isolated, downsizing tactics. They are part of a broad, coordinated growth and cost-cutting business strategy with multiple benefits that include, but are not limited to, creative downsizing." A study of 100 Chief Financial Officers (CFOs) co-sponsored by her company reveals that CFOs are using strategic flexibility to reduce their workforce without severing ties with employees.

According to Yost, "...nearly one third of CFOs used flexibility as a workforce reduction strategy, allowing them to stay connected to employees through contract project-based work, reduced hours with full-benefits and sabbaticals with full benefits."

Yost urges employers to consider working flexibly before considering layoffs. She shares an example of a company that found a creative way to deal with dwindling budgets and minimize employee suffering. In 2008, Sigma, a full-service advertising agency in New Jersey, asked its employees to consider part-time hours or monthly sabbaticals as a way to avoid layoffs. "When given the choice, Sigma found employees were more than willing to take time and a reduction in pay, rather than leave the company," said Yost.

These are tough times. None of us wants to take a pay cut. But earning less may be better than earning nothing.

Locally and around the state, employers are choosing alternative work arrangements in response to budget shortfalls and to save jobs. State prosecutors in Fayette County are among the 95 county commonwealth attorneys who began two weeks of staggered unpaid leave at the end of January to accommodate the \$2.4 million cuts ordered by the governor. The Courier-Journal is requiring employees to take one week off from work without pay between now and March. And Governor Beshear has proposed requiring all nonessential merit and nonmerit executive branch workers to take three days of unpaid leave by the end of June 30. According to the Governor's budget office, this job- and cost-saving strategy would reduce the state's projected \$456 million shortfall by \$8 million.

Commonwealth of Kentucky Personnel Secretary Jackson notes that, "Anytime we talk about a reduction in work hours and therefore a reduction in an employee's take home pay, it's difficult. However, because of the significant economic crisis in which Kentucky finds itself, we are left with little choice. Our hope is to use the practice of furlough as a way of avoiding more significant and drastic people resource reductions. Though not ideal, furloughs are far more palatable than permanent reductions. This is especially true if they are administered with adequate notice to the impacted employee, perhaps even wrapped around existing employer recognized holidays, and are spread throughout the year as opposed to running in succession."

Telecommuting or telework is another cost-saving and potential alternative to layoffs or pay reductions, and one that avoids the distress associated with downsizing and pay cuts. Charlie Grantham, author of the book *Future of Work*, boasts that working flexibly can reduce workforce supports by 40 percent. The biggest source of cost reduction is real estate and associated facilities management costs, followed by savings related to a reduced need for IT, HR and administrative support. An added boon of telecommuting is that it avoids the plunge in employee morale and motivation that often accompanies downsizing. Studies show a 15 percent increase in productivity among remote employees, and demonstrate that remote employees achieve results in fewer hours and often of higher quality.

Regular readers of my column know that I promote workplace flexibility as strategy to enhance businesses' competitive advantage and employees, work-life fit. In fact, the UK Institute for Workplace Innovation (iwin) spearheads an initiative, the Sloan Award for Workplace Flexibility, to recognize employers in Kentucky who embrace a culture of workplace flexibility. (Check out the iwin website to apply for the awards.) The business proposition for flexibility is convincing — it reduces workforce support costs, boosts productivity, enhances recruitment and retention, increases corporate agility and minimizes traffic congestion. Yet business leaders still resist it.

Peter Drucker, considered by some as the father of modern management, said that successful leadership is about doing the right things. Now, more than ever, the time is right for business leaders to do the right thing — consider working flexibly an alternative to downsizing.

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