



# The Corolla Group, LLC

## **Can you reduce costs by cutting employee benefits?**

It would seem to be obvious that you can reduce costs by cutting benefits in this economic climate. However, when you take this approach, you have to be very careful how you reduce the benefits to your employees.

First, an analysis of the benefits that you are providing your staff needs to be done. You need to define what the benefits are; most common benefits are:

Medical Coverage / Dental Coverage

Group Life / Accidental Death and Disability

Tuition Reimbursement

Paid Time Off / Vacation

Sick Leave / Personal Days

401(k) plans / Profit Sharing Plans

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Other forms of benefits can include:

Meals

Child Care


Gym Memberships

Now that you have defined some of the benefits, the next step is to review the amount that you are paying for each benefit. For example, are you paying 100% of the medical coverage for your employee or are you paying 100% of your employee's family coverage? What is the number of sick days that you provide? Has your organization ever considered a Health Savings Account for employees that can save 20% to 30% of premium costs to an employer?

Your analysis of your cost must be done from the hard costs involve, i.e. cash outlay and soft costs, i.e. impact on productivity, staff morale, retention of staff. Once your analysis is completed, you can start to review which benefit will be reduced or eliminated.

Before you make your final decision, make sure you have effectively communicated with your staff, from the outset, the cost of these benefits to the organization. If, due to a myopic view from your financial staff, this information was never disseminated throughout the company, there may be a larger issue.

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You may tell yourself that nobody is going to leave your company; after all where are they going to go? Well they may decide to leave you when the economy recovers and your competition hires them away. The economy will improve and you need to have plans in place to take advantage of the revival.

Recently, one of our larger clients decided that there would be no merit increase or bonuses in 2009 for all employees. Compounding the issue, the company decided to stop matching employee's contributions to the 401(k) benefit plan. In the past, the company had never communicated with the staff any concerns regarding the increasing costs of these benefits. After the town hall style meeting, where the announcements were made, many of the best employees gather informally to discuss what just transpired. Many of the employees were upset and stated that once the economy turned around, they would be looking at other employment opportunities.

In large "Fortune 500" type companies the lines of communication have never nor will ever be open and transparent. In smaller companies, it is critical for the lines of communication be open. When companies communicate with their staff, in an honest and frank fashion, this interaction helps create a team feeling, a sense of unity, of being appreciated for the work performed. The lack of communication breeds mistrust, lack of unity and creates poor morale. In this time of economic stress, companies need to insure that their best performing staff remain engaged in their current positions and do not plan to resign when the economic situation improves.

We at The Corolla Group can help your business address some of the issues, review creative solutions, and bring positive changes to your business and bottom line.