LEADERSHIP LESSONS

6 ways to cut costs without making redundancies

Businesses may need to cut costs as the economic situation worsens. But they should resist making redundancies, which are often counter-productive. Here are 6 alternatives.

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In 2021 the scale of redundancies reached new heights, due to business closures and financial pressures brought on by the pandemic.

As organisations continue to re-evaluate their purpose and explore the revitalised post-pandemic market, there is no doubt that redundancies will continue to be used as a cost-saving strategy in an ever-competitive marketplace, particularly as the cost of living crisis bites.

But the financial success of redundancies as a cost-saving strategy tends to demonstrate limited success. Losing valuable employees as a result of a knee-jerk reaction is counterproductive - especially when the period of economic uncertainty is short-lived - as the organisation will need them when the crisis is over.

So here are 6 alternative cost-saving strategies to consider before reverting to redundancies.

1. ADAPT TO BETTER SERVE CUSTOMERS

Consider any opportunities to reinvigorate income generation. Perhaps a product line can be expanded or a new market opportunity may present itself. Understanding the shift in customer needs could generate new opportunities. I have seen great examples where organisations revisited their purpose and assets, and adapted what they have to meet changing demands; such as a gin distiller making hand sanitiser.

1. SELL UNUSED EQUIPMENT

It is expensive to make employees redundant. Consider alternative assets that can be reduced or even sold. Many organisations have explored recycling obsolete machinery or selling unused stock to the public. Cost savings can also be achieved through securing cheaper suppliers.

1. CUT EXTERNAL SUPPORT

Insourcing uses an organisation’s own resources to perform tasks, complete a project or achieve organisational goals, instead of hiring an external company or person to perform the duties.

During challenging times, bringing activities in-house may help job creation and limit redundancies. Organisations should find the hidden skillsets of existing workers and ask them to work on tasks instead of hiring external companies to perform the duties. It is always advisable to do a due diligence analysis to establish if it really is a cost-effective decision.

1. LIMIT OVERTIME

Reducing overtime costs where possible, could meaningly contribute to cost savings. Some organisations pay 1.5 times or double pay for overtime or work completed on bank holidays. Restructure your hours to avoid the payment of higher rates. Alternatively, investigate if overtime rates are billable to clients directly where contracts allow.

1. OFFER UNPAID SABBATICALS

When the business is unsure of the longevity or uncertainty of its position, yet hesitant to make employees redundant, unpaid sabbaticals are a great option and may suit the needs of both the employees and the organisation. If the business picks up again later, the organisation will need to rehire employees and it would be counterproductive to pay a redundancy package, followed in short succession with recruitment costs.

1. TEMPORARILY FREEZE BENEFITS

Many organisations offer a range of benefits such as discount schemes, fuel allowances, private medical, life insurance, employee assistance programmes, enhanced pensions, will writing services, online GP services, pet insurance, and phone insurance just to name some of the more popular ones. Remove benefits that cost the organisation money, while having little uptake from employees.

Dr. Madeleine Stevens is an author and lecturer on human resources and organisational behaviour. More information can be found in her new book: Strategic Redundancy Implementation: Re-Focus, Re-Organise and Re-Build.
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