

Have You Considered Incentive Programs to Achieve Reductions in Force?

By: Terry Kasiborski, Butzel Long



In these very trying economic times, virtually all employers, including broadcasters, are looking for ways to reduce costs. Since payroll costs are such a significant part of overhead, reductions in force naturally come to mind.

Involuntary reductions in force often involve very difficult, indeed sometimes gut-wrenching, decisions for broadcasters who are required to decide between two or more fully qualified and loyal employees. Also, involuntary terminations may result in litigation or other types of claims by the displaced employees. However, by offering employees incentives to remove themselves from the workforce, a broadcaster may be able to avoid difficult choices between who stays and who goes.

Possible incentives that could be offered include: lump sum cash payments; salary and/or benefit continuation for a specified period; enhancement of retirement benefits such as reducing the age for early retirement or providing credit for extra years of service; outplacement assistance; retraining or education assistance; and/or some combination of the above.

Other possible benefits from offering such incentives are that the risk of litigation can be eliminated since employees who elect to resign in exchange for incentives should be required to sign an appropriate release prepared by your lawyer in exchange for the incentive(s). You also may be able to target certain departments or jobs. The morale of employees who stay may be increased if they are no longer fearful of being terminated. In addition, by eliminating the risk of litigation, you may be able to more accurately predict the cost of the force reduction.

Of course, an incentive program also has its negatives. Obviously, it may temporarily increase expenses at the very time that you are trying to reduce costs. Also, the strongest performers may accept the incentive(s) offered instead of the poorer performers who would have been selected for involuntary termination. In addition, the incentive program might create expectations for future incentive programs which may have the undesired effect of reducing normal attrition through resignation and retirement.

Both involuntary and incentive driven reduction in force programs have pros and cons. But an incentive program leading to voluntary separations should at least be considered as a possible means to achieve a reduction in force that a broadcaster needs to improve the bottom line over the long term.