ONEIDA ASSOCIÉS

HOW TO REDUCE PAYROLL WHILE KEEPING TALENTS AND WITHOUT GOING INTO MASS REDUNDANCIES?

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Beyond organizing health and safety measures during the containment and planning for the return to work, managers have already been thinking for several weeks about how they will address the economic impact of the recession which comes with the pandemic.

Based on discussions we have had with clients who ask us to help them think and prepare for what is likely to happen next - while significant uncertainties remain on the scale and duration of the recession-, two major options stand out:

- Once furlough will be finished, how to reduce the cost of the payroll significantly, but without reducing the number of positions, so as not to jeopardize the company's capacity to benefit from the rebound in activity?
- If reducing payroll cost is not enough to address the situation, how can managers adapt the workforce to the future level of activity in the new economic and social context which could be ours for many months?

This paper is about the first option:

⇨ HOW TO REDUCE PAYROLL WHILE KEEPING TALENTS AND WITHOUT GOING INTO MASS REDUNDANCIES?

Obvious solutions are easy to spot and probably easy to put in place: a hiring freeze, non-renewal of fixed-term contracts, suppression of all non-essential temporary and subcontracting contracts, freezing (or even cutting) salaries, cancellation of discretionary bonuses ...

To go beyond this, there are other solutions the implementation of which is more delicate. These solutions need to be studied either when companies

1. aim at keeping their employees if there is a relatively good level of orders or if a rebound in demand is likely, and
2. do not want or cannot afford the cost of a redundancy plan.

Several tips for answering the questions on how to do it:

- One solution is to maintain employees in furlough, financed at least partially by governments, according to rules which will undoubtedly be less generous, more selective and more restrictive than the ones currently in place,
- More flexible solutions exist but they can only be implemented with the agreement of the employees concerned. For instance, in France these measures, which are often included in *GEPP collective* agreements (*Management of Jobs and Professional Paths*, previously called "*GPEC*": *Provisional Management of Jobs and Skills* ") include for example employees taking unpaid leave or suspending work contracts with guaranteed return to the company if the employee wishes so. It can also include temporary transition to part-time work or a progressive retirement scheme. These systems could be reactivated by the Public Authorities through specific incentives.
- Systems based on the reduction of working time and / or remuneration should also be studied. The question is HOW can management modify these essential elements of the employment contract? Can it be imposed on employees? How can this be done legally? What

type of agreement: a temporary collective agreement to modify the existing working time agreement or a collective performance agreement (APC)? At branch level, at company level?

The answer that immediately comes to mind in France is the APC, this multi-purpose tool which allows for a given period of time:

1. to adapt the organization of work and manage working hours over the year,
2. covers situations where working hours can be increased without increasing compensation, or
3. maintained while reducing compensation, clearly reducing the hourly rate or the bonuses (seniority, performance, etc.), only if the minima defined by branch agreements are respected.

APC is an interesting tool since

1. the content of the agreement automatically replaces the contrary and incompatible clauses of the employment contract for employees who have not expressed their refusal to see the agreement applied to them and
2. since employees who would refuse are dismissed for a specific legal ground, without any collective redundancy plan (PSE), regardless of the number of employees who would refuse.

This is a solution that requires a collective agreement at company level, which can be difficult to obtain in certain cases, especially when efforts required from employees are significant. However, it can be expected that employees and their representatives will finally sign, given the likely lasting deterioration of the labor market. In any case, this solution must be accompanied by:

- A strong and clear communication about the company’s current situation and its business perspectives,
- A parallel sharing of the burden by shareholders as well as by management who would commit to reductions in their financial package.

Showing that the burden is shared will be essential to give a sense of fairness and get the employees to support the project.

We will deal with the situation of companies which cannot avoid job cuts in the next position paper.

While this paper has a focus on France, similar solutions might be available in other countries. Such solutions could be explored with a company’s EWC, if one exists.