

How to cut employee costs before considering redundancies

Most small businesses will only make staff members redundant when all other options have been exhausted. While it is not always possible to avoid this unfortunate scenario, there are still a number of steps a business can take to lower the chances of it happening.

Employee cost is generally the largest expense suffered by any business. However, it is also a cost that, with some careful reshuffling, many businesses could cut dramatically. This guide sets out to give you an insight into how this may be achieved – and without the need for redundancies.

Cutting staff costs - Trading salaries for benefits

As most people are aware, salaries are subject to tax and national insurance contributions. One possible cost-cutting option is for staff members to sacrifice part of their salary for benefits that they would usually be paying out for anyway.

There are a number of benefits that are exempt from tax, such as staff canteens, childcare vouchers, recreation facilities (for family members as well), work-related training, pension contributions and car park services. By offering such benefits, ultimately the employee will save on the tax cost of the salary sacrificed, and both the employee and the business will pay less in National Insurance.

Cutting staff costs - Holiday schemes

The process in place for annual leave largely varies from one company to another. In these difficult times, many directors will be looking at how they can tweak their holiday processes in order to save vital costs.

One option that may be open to your business is to prevent employees cashing in any unused holiday hours at the end of the year. This represents an additional cash cost to the business that can be easily avoided.

Also, you might like to consider giving employees the option of buying additional leave if they are not required in the office. This option could prove popular with some members of staff, and ensures that your business further limits its outgoings.



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Cutting employee costs - Promoting flexible working hours

If your business would allow for it, you might want to promote flexible working hours to your staff, with the overall aim of cutting the total number of hours they are working. You could offer employees the option of working at home, job sharing or working part-time.

Although a change in working hours will not appeal to everyone, there are certain instances where employees may be grateful for the offer e.g. parents who require more time off to support their children.

Cutting staff costs - Salary reductions

No employee will ever welcome a pay cut. However, during times like these, many people will understand that struggling companies may need to make these changes if they are to remain in business.

It is your duty as an employer to explain the exact reasons for such a request. While it is not an ideal situation, many employees would much prefer sacrificing a small part of their wage than being made redundant.

Remember, not all of the suggestions given here will be applicable to your business. It is an unfortunate fact that, even when they have done all they can, businesses cannot always prevent redundancies from being made.

Hopefully, though, this guide gives you a good idea of some of the small changes that can be made to lower employee costs before a business has to make such an important decision.



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