Schools may be considering staffing and compensation changes - temporary or permanent - to alleviate budget pressure. There are many options for reducing personnel service costs, and these options have varying degrees of impact on employee morale and talent retention.



It is critical that Human Resources staff, budget staff, and leadership work together to understand the full scope of the shortfall, then choose a mitigation plan that will minimize impact on staff while continuing to provide critical services to students and families.

This document outlines many of the options available to schools for reducing labor costs, including:

1. Job Sharing
2. Voluntary Reduction in Hours
3. Voluntary Temporary Reduction in Pay
4. Voluntary Unpaid Leave
5. Post-employment Compensation
6. Voluntary Furlough
7. Hiring/Pay Freeze
8. Place Impacted Employee(s) into Vacant Position(s) within the school or network
9. Layoff

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**1. Job Sharing**

Flexible means of pooling the talents and energies of two part-time employees to perform the work of one full-time position.

# Advantages

* + Allows the school to retain experienced, skilled workers and avoid layoffs.
  + Employees may find that part-time work allows them to better balance career and personal life.

# Considerations

* + Works best as a voluntary arrangement planned collaboratively between employees and management.
  + A detailed work plan should be created that outlines specifics about the arrangement (e.g. schedule, division of duties, communication).
  + PERA HAS will be reduced
  + PERA service credits will be reduced

# Example

*Employees are offered the option to job share as a way of reducing labor costs. Two full-time employees opt to reduce to 50% FTE and share one position. Both employees retain their benefits while the school realizes savings in salary and retirement contributions.*

**2. Voluntary Reduction in Hours**

Employee FTE is temporarily reduced.

# Advantages

* + Employee has predictable time away from work for a period of time and retains a portion of their benefits.
  + When the reduction period is over, the salary and job assignment is restored and leave accrual returns to the full-time accrual rate.

# Considerations

* + Employee’s leave accrual and some benefits may be impacted (e.g., holiday pay, short term disability benefits).
  + Employees may not be eligible for restoration of full leave accrual for the part-time period.
  + PERA HAS will be reduced
  + PERA service credits may be impacted
  + It is recommended that this request to volunteer for a reduction in hours is made to all employees in writing, noting a specific period of time, and individual written agreements are drafted.

# Example

*Full-time employee reduces time to 80% and changes schedule to Monday - Thursday for three months.*

**3. Voluntary Temporary Reduction in Pay**

Employee volunteers to reduce their base pay for a predetermined period of time.

# Advantages

* + A voluntary reduction of base pay has no impact on the employee’s service date, leave accrual rates, or benefits, and provides the school with flexibility in terms of the percentage of savings.
  + When the reduction period is over, base pay returns to the regular amount.
  + PERA service credits will not be impacted

# Considerations

* + It is strongly encouraged that if this option is used, the offer for a voluntary, temporary pay reduction should be extended to all interested employees in writing, noting a specific period of time. There should be an individual written agreement with each employee who volunteers.
  + PERA HAS will be reduced

# Example

*An employee’s predetermined weekly pay is $1,000. The employee voluntarily reduces the predetermined weekly amount to $950 for three months.*

**4. Voluntary Unpaid Leave**

Employee reports Leave Without Pay (LWOP) for a predetermined period of time.

# Advantages

* + Employee is given time away from work that does not deplete their current bank of paid time off. Apart from the unpaid period, there is no ongoing financial impact to the employee.

# Considerations

* + Determine whether employees will continue to accrue leave
  + Duration of service is reduced
  + PERA HAS will be reduced
  + PERA service credits may be impacted
  + Employees need time to prepare financially for longer durations of unpaid time.

# Example

*Employee uses LWOP to take unpaid, month-long vacation.*

**5. Post-employment Compensation**

Used as an alternative to a layoff in process or anticipated layoff, employee chooses to leave and is provided post-employment compensation (e.g. voluntary separation incentives, severance pay).

# Advantages

* + Employee receives financial benefit for voluntarily separating in lieu of or to avoid layoffs.
  + The employee has more control over their departure and the morale impact of layoffs can be reduced.

# Considerations

* + The post-employment compensation option should result in savings and minimize the need for layoff or further bumping.
  + Savings should be realized in the next fiscal year and be greater than the cost of the post-employment compensation and leave payout.
  + Post-employment contracts should be developed, reviewed, and approved by the school’s legal counsel.

# Example

*Employee volunteers to separate so they may spend more time with family and receives a severance package, thus avoiding the need for layoff.*

**6. Voluntary Furlough**

Employee unpaid absence while retaining leave accruals.

# Advantages

* + The employee may request absence to avoid layoffs or reduction in hours.
  + Voluntary furloughs can be taken in segments, or they can involve a reduction in the number of workdays or hours in a week.
  + Employees earn sick and annual leave and duration of service is not reduced.

# Considerations

* + Voluntary furlough should be offered for a predetermined period of time, and it should be documented in written agreements between employer and employee.
  + PERA HAS will be reduced
  + PERA service credits may be impacted
  + Special attention must be paid to overtime exempt employees and those on Family Medical Leave (FML).
  + Because the employee continues to earn leave at the regular rates, the school continues to accrue fiscal liability related to leave and, therefore, the desired cost savings may not be achieved.

# Example

*An employee opts to take one week off each month for three months but continues to earn leave at their normal rate.*

**7.**  **Hiring/Pay Freeze**

School freezes all new hires and/or delays the start date of new hires.

# Advantages

* + Minimizes financial impact to current employees.
  + Provides the school with an opportunity to analyze currently filled positions and vacancies in terms of business needs, sometimes leading to reorganization and/or elimination of unnecessary positions.
  + A “soft” freeze allows key positions to be filled upon justification to management.
  + PERA service credits will not be impacted

# Considerations

* + While financial impact to employees is mitigated, day-to-day workload may increase and staff resources may be reduced, which can affect the ability to provide some services.
  + Change in organizational structure or workload needs to be managed closely, and there are risks of employee burnout and low morale.

# Example

*School implements a hiring freeze, and reevaluates its current structure. Analysis indicates that a particular service has low impact on students. One position will go unfilled, work is redistributed among existing employees, and priorities are adjusted.*

**8. Place Impacted Employee(s) into Vacant Position(s) within the**

**School or Network**

Employee is placed in a similar position for which they are qualified

# Advantages

* + Allows the school or network to retain a skilled worker
  + Employee retains service dates, benefits, and accruals.

# Considerations

* + Employee being placed in the vacant position must be qualified for the position.
  + The need for the vacant position should be evaluated.
  + Employee may choose to decline the offer.

# Example

*Budget or enrollment reductions necessitate elimination of one position in 3rd grade, but the affected employee is qualified for a vacant opening in 1st grade. The employee accepts the position thus avoiding layoffs.*

**9. Layoff**

After exhausting all the available options outlined above, a layoff may still be unavoidable. The layoff process is complex and requires extensive preparation and collaboration with HR experts at your school or Employer’s Council. Layoffs can have extensive impact on employee morale and result in the loss of valuable talent and institutional knowledge.