



12 Ways to Cut HR Costs: Part 2 - Cut Pay

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By **Daniel Pollard** - 20 October 2020

UK employers consulted with staff on nearly half a million redundancies during the pandemic - roughly 1.5% of the working population. The true number will have been much higher as small-scale redundancies are not captured by government statistics. The furlough scheme will have given many employers an opportunity to pause but as the scheme comes to an end, employers face some tough choices.

Over recent months we have seen a huge amount of creativity from our clients in finding ways to minimise redundancies. We share 12 possible strategies adopted by our clients and some thoughts of our own to help reduce cost without compulsory lay-offs.

2. Cut Pay

A large proportion of our client base have implemented pay cuts in one form or another. In the case of employees placed on furlough, many were asked to agree to a 20% reduction in pay and so 20% has been typical of the reductions in pay that we have seen.

However, with employees working at home and with reduced commuting costs there is scope for almost all employees to accept some reduction without any change in their “take home” pay.

The key issues to consider are:

- Who will this apply to? To ensure employee engagement, it is vitally important that management are seen to take the lead and the pain.
- Is this temporary or permanent? It is a far easier “ask” for staff to see a reduction to pay for a limited time. If so, the key question is how long and does further consent need to be given to a further continuation?
- Is this consensual? In almost all cases agreement is sought – to start with at least. We are aware of some employers imposing reductions unilaterally in breach of contract. If agreement is not forthcoming employers need to consider whether they will seek to impose changes by terminating employment and offering re-employment on revised terms.
- Is anything offered in return? The question of quid pro quo is probably the most important issue. In some cases, the quid pro quo is the understanding that it will prevent redundancies from having to take place. In others the benefit will be a little more tangible – we consider some options below.

For all 12 ways to cut HR costs without redundancies click [here](#).