

# Cost-saving Alternatives to RIFs

## Issues to consider so you get them right

In difficult economic times, many corporations are eager to preserve their significant investments in talent in the face of intense pressure to cut costs. Although reductions in force may be unavoidable, there are alternatives that are worth exploring – and that many of our clients are already using. Before initiating these alternatives, especially on a global scale, it is important to consider potential employment law limitations.

### Alternatives Worth Exploring

Here are several cost-cutting options and some of the issues we can help you address.

**Wage freezes.** Wage freezes may be possible, but contractual entitlements as well as collective agreements should be reviewed.

**Salary adjustments.** In most countries outside the US salary is considered a material term and condition of employment that cannot be changed without consent. Even if an employee agrees, it may not be enough to overcome national rules. And equal pay issues can arise if all do not agree.

**Variable compensation and benefits.** The same concerns apply to incentive plans and many benefits outside the US. Courts in some countries will not permit bonuses or benefits to be changed or canceled, even when they specifically state they are discretionary.

**Temporary shutdowns.** Unpaid time off is virtually unheard of outside the US, and even vacation cannot be imposed without employee consent in many countries. Government assistance may be available.

**Vacation pay.** Cutting vacation pay (or even future accruals) may not be possible. In many countries vacation pay is set by law, not company policy. Alternatives include forced vacation, limitations on carry-over and vacation caps, but they are typically subject to limitations.

**Flexible work options.** Reduced work hours, sabbaticals and work-at-home arrangements usually require employee consent, and savings will be limited in some countries by a requirement that part-time employees be given equal status with respect to benefits, as well as various statutory requirements for telecommuting.

**Voluntary exit/early retirement programs.** May be considered as a less painful way to redundancies, provided they are truly voluntary.

### Recent Work

We have advised world leaders across multiple industries on these and other cost-saving activities. Industries represented include:

Apparel  
Banking  
Computers  
Home improvement  
Personal care  
Professional services  
Retailing  
Semiconductors  
Shipping & logistics  
Software

This is one of many ideas on ways to govern, manage, operate and finance your business. If you would like to review additional ideas, visit the Supporting Your Business section on [www.bakermckenzie.com](http://www.bakermckenzie.com). The site is updated regularly, so visit often.

## Our experience and service advantages

**Deep local knowledge to avoid unintended consequences.** Our global employment law practitioners know what can and cannot be done – and how it must be done – to effect cost-saving alternatives to layoffs around the world, so as to avoid unintended consequences, such as constructive discharge claims, damages, and legal fees.

**Confidence and insight to foster permanent benefit.** With more than 450 employment lawyers worldwide, we have advised multinational companies for years on cost-cutting programs impacting as many as 50 jurisdictions at the same time. As part of these efforts, we often work with clients to determine if there are historical company practices, plans and relationships that can more easily be changed during an economic downturn. We also help clients to “plan ahead” for the ultimate upturn in the economy.

**Global perspective, global compliance.** We bring to employment cost-cutting, a global perspective that enables us to readily identify inter-relationships among labor, employment, employee benefits, compensation and immigration raised by such business decisions. This enables us to work efficiently with clients, trade unions, and works councils to develop legally and culturally appropriate timelines, training for local HR staff on legal issues and best practices, and to prepare effective, locally appropriate employee communications and other needed documentation. We also help clients prepare legally compliant public communications that enable them to gain market recognition for their decision without jeopardizing local legal compliance and employee relations.

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