Our recent *Reward in a downturn* survey of 2000 companies worldwide showed that the number one concern of employers right now is maintaining employee engagement - a picture also mirrored in the UK. Out of the 98 leading UK employers surveyed, thirty three per cent are expecting to miss business targets and fifty eight per cent are cutting or freezing salaries. As a result, many managers presume that employee engagement will be an inevitable casualty.

But our research and experience with clients shows that, with care and thought, it is possible to deliver both cost savings and increased levels of employee engagement. Based on the top eight cost-cutting actions from our recent survey, here’s some advice on how to preserve – and even build – your employee engagement in a downturn.

**Protecting your engagement capital**

- Communicate honestly and regularly. Explain the position the organisation is in and how change is necessary to equip the organisation to weather the storm.
- At a time when organisations are trying to do more with less, it is important to have a total reward strategy that recognises success, helps retain high performers and is a positive force for employee engagement.
- Do not sugar-coat any changes – your employees are adults and expect truthful communication. Dishonest, inaccurate or ‘fluffy’ statements are not going to reassure and inspire employee confidence.
- Avoid short term gain at the expense of long term loss of engagement. Be aware of the reaction of all stakeholders to changes, including media and investors.
- Make the direction the organisation is headed clear, as well as the role employees play in this journey. Employees want and need to know what is required of them and feel actively involved in helping the organisation through troubled times.
- Don’t overlook the simple things. A personal “thank you and well done” for specific achievements go a long way in boosting employee morale.

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Salary freezes
Thirty eight per cent of organisations are introducing salary freezes.

- **Communicate, communicate, communicate.** Salary has a strong emotional as well as an immediate practical relevance for employees and, while most will agree that a salary freeze is preferable to job cuts, the potential impact on engagement is strong. Salary freezes also make employees acutely conscious of the overall health and direction of the business and in the absence of information rumour will run wild. Senior executives and line managers need to update employees on developments regularly and promptly.

- **Lead from the top.** Salary freezes must be applied across the business as a whole. Executive and managerial bonus payments also need to be handled with sensitivity and the rationale for making any payments explained clearly to employees.

- **Set a review date.** A scheduled date for reviewing pay freezes makes sense. The results of this review should be communicated promptly, whether the freeze has to continue or a planned pay review can be implemented.

Restructuring
Thirty six per cent of companies are cutting jobs and twenty one per cent are freezing staffing levels. Forty per cent are restructuring or considering restructuring to achieve this.

- **Set out your goals.** A vision for the restructuring programme – beyond the basic need to cut costs – will help employees to see how changes can drive better performance and position the company to grow when the economy improves. It is imperative that employees buy into this vision, understand their role in making it happen and see the value to them in the long term.

- **Keep your promises.** For employees to maintain trust in management, assurances on the scope of the change need to be made and upheld.

Promotion freezes
Eighteen per cent of organisations are implementing or considering promotion freezes.

- **Consider your options.** Is a promotion freeze really necessary? A freeze on promotion pay increases has the same cost-reduction impact as a promotion freeze, but a lesser impact on motivation. Employees can celebrate their advancement despite the reality of short term cost constraints.

- **Recognise success.** Look for alternative means of recognising success and talent when promotions are not possible. Always provide personal recognition for specific achievements and ensure this is part of the organisation’s culture.

Cutting bonuses
Thirty six per cent of organisations said they would be deferring or reducing bonuses.

- **Know where you stand.** The first requirement is to review whether bonus payments can legally be cut. Payments can be contractually binding: the last thing you need is litigation. Usually payments against measureable targets are contractual, but bonus schemes often have a discretionary element that may be cut.

- **Justify yourself.** Where only some bonuses can legally be cut, consider whether it will cause too much damage to employee morale to cut some bonuses and not others. Many will view bonuses as money already earned, but not yet paid. The rationale for cuts in bonuses or different bonus treatments for employees therefore needs to be clearly explained and justified.
Engage your workforce in possible alternatives to the existing benefit package and determine what different employee groups value most.

- **Review and revise.** Rather than changing existing plans – where employee expectations have already been set – focus on redesigning bonuses to better drive performance. If the potential to earn incentives is reduced then employees need to be kept informed and understand the solid financial realities behind such a decision.

- **Consider other possibilities.** Rather than cutting incentives entirely, consider if there is scope to defer or phase the pay out of incentives. Are there trade offs to be made or non-cash alternatives to recognise employee performance?

**Train for the future**

Forty per cent are considering or have reduced training programmes.

- **Focus your investment.** Try not to slash training across the board. Training cuts imply that less investment is being made in employee development. Instead, focus training priorities on critical areas for the business. Target training to the strategic objectives of the organisation and communicate the learning value at all times.

- **Do more with less.** Look for creative ways to train at lower cost, including delivery through online, webinar and phone. Use internal mentoring, coaching and workshops to sustain a learning environment.

**Contractor cuts**

Sixty per cent of companies are considering or have made contract staff cuts.

- **Be clear about what you’re doing.** Review the impact of losing contract employees on a case by case basis. This will sharpen decision making and allow you to determine workload implications for remaining employees and work with them to reach a solution.

- **Handle with care.** Contractors who are leaving should be handled with the same sensitivity and concern as regular employees. Treating anyone as ‘disposable’ sends a very bad message to remaining employees about what might happen if their position also becomes expendable. And when things improve, you may well want your contractors back.

**Benefits**

Contractual provisions mean that relatively few organisations are cutting benefits now – however, many in our survey indicated they would need to review benefits in the near future.

- **Understand what your employees value.** Engage your workforce in possible alternatives to the existing benefit package and determine what different employee groups value most. Consider whether the demographics of your workforce means you need a more flexible benefits package to meet differing employee needs and still keep costs down.

- **Stay competitive.** How will a reduced benefit package impact on contracts and the ability to attract and retain employees? There is little point in reducing benefits only to find employees are lured elsewhere or that potential employees are deterred by a poorly perceived benefit offering.

- **Think outside costs.** Employee preferences, corporate values and connections to business strategy should also feed into decision making on benefits. For example, offering ‘green’ hybrid cars or loans for bicycle purchase could be appealing now because it links to both employee value and corporate environmental policy.

In an environment where employees are being asked to do more with less, maintaining high levels of engagement is critical. While budgets may be constrained, leaders need not despair. With clear communication of decisions based on a sound business rationale and a focus on involving employees in the solution, organisations can keep their valued people on board and motivated.

For more information or to discuss any of the issues raised in this viewpoint, please contact:

**Helen Murlis | Hay Group in the UK**

| t +44 207 856 7132 | e helen.murlis@haygroup.com |