

The Rules of Reducing Salaries: Tips to Consider Before Implementing Pay Cuts

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In the wake of a continuing recession, companies everywhere are dealing with the effects of financial distress. As sales revenues continue to slump, many businesses can no longer afford a managerial staff – but key staff members are needed to stimulate sales. Employers are left with a nearly unresolvable problem. As company leaders scramble to start the new decade on the right foot by protecting profitability, many are forced to cut costs in a less than popular way: employee pay cuts.

Companies large and small, regional and national, are decreasing salaries in order to stay afloat. Yet in spite of these challenging times, managers should remember the value of their hardworking, faithful employees. A company's people are far more important than any capital or other resource. People think, create and produce. For this reason, executives should carefully weigh the impact of compensation cuts and take steps to sustain long-term employee satisfaction during the process. By acting carefully and *legally*, employers can effectively reduce compensation while upholding company-wide morale, motivation and loyalty.

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